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PARAGUAY AND SPAIN IN SCORELESS DRAW



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Herald Tribune Page 16

Kohl Plays Nationalist Card in Shift On Europe

Attack on Federalism Taps Into Voter Fears Of Euro and Superstate

By William Drozdiak
Washington Post Service

BERLIN — During 16 years in power, Chancellor Helmut Kohl earned respect at home and abroad for his dogged determination to build a United States of Europe. When East and West Germany were merged in 1991, he insisted his ultimate goal would be achieved only when German and European unity were recognized as "two sides of the same coin."

But as he struggles to revive a flagging electoral campaign to win an unprecedented fifth term in office, Mr. Kohl is sounding less like a visionary statesman and more like a parochial nationalist.

In the time-honored tradition of politicians so desperate they run against their own record, Mr. Kohl now derides the notion of a Continental superstate and lambastes those who would surrender more sovereignty to European Union institutions.

At a summit meeting this week of European leaders in the Welsh seaport of Cardiff, Mr. Kohl said he would no longer tolerate paying the lion's share of the EU budget and demanded a sharp reduction in the \$13 billion that Germany shells out each year.

Commentators claimed his behavior was reminiscent of his arch nemesis Margaret Thatcher, the former British prime minister who antagonized Mr. Kohl by her skepticism toward Europe and dismay about German reunification.

In defending what critics call a betrayal of the federalist cause, Mr. Kohl insists that the momentous changes looming with the advent of a new single currency, the EU's expansion to 20 or more members and pressing security challenges in a fast-changing world now require a dramatic transformation in the way Europe will be managed.

But the starting turnaround in Mr. Kohl's policy toward Europe also seems rooted in the shifting sentiments among

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Lawrence Summers, left, meeting with the Japanese foreign minister, Keizo Obuchi, on Friday.

Pressure Rises on Japan As G-7 Officials Arrive

Tokyo Hints at Merger to Save Big Banks

By Sheryl WuDunn
New York Times Service

TOKYO — As Lawrence Summers, the deputy U.S. Treasury secretary, pressed Japanese leaders Friday to bolster the economy and urgently tackle the nation's bad loan problems, news reports surfaced that the Japanese government might rescue two of the nation's major Japanese banks by merging them.

Meanwhile, two days after the United States and Japan joined in a surprise intervention to bolster the faltering yen, senior finance officials from the Group of Seven industrial nations began gathering Friday for meetings here Saturday to calm Asia's financial turbulence.

Taking part in the talks will be G-7 deputy finance ministers, officials from 11 Asian nations, including China, and representatives from the International Monetary Fund and the World Bank.

A Finance Ministry spokesman briefing reporters on the meeting said Mr. Summers and Japanese officials welcomed the results of the intervention against the plunge of the yen this past week and were ready to repeat the measure.

The yen rose 1 percent to 137.45 yen per dollar on expectations that Japan would act to clean up its financial problems.

Earlier, the Kyodo news agency, citing unidentified Japanese officials, said that authorities were considering a merger of the Long-Term Credit Bank of Japan Ltd. and Nippon Credit Bank Ltd., two of the nation's 19 largest — and weakest — institutions.

Trading in the shares of the two banks was suspended by the Tokyo Stock Exchange early Friday afternoon as it tried to confirm the report.

Both institutions denied the reports by late afternoon. The state of play is not clear, for the original report was not entirely reliable, but neither were the denials, because Japanese companies sometimes stoutly deny such reports until the moment they confirm them.

Kanezo Muraoka, the chief cabinet secretary, suggested Friday that the government would refrain from supporting feeble banks.

The government "intends to let bad banks collapse, and it does not have any intention of bailing them out," Mr. Muraoka said, as quoted by the Kyodo news agency. He added that the government will be mindful of clients and counterparties of a failed institution.

In various meetings Friday, with Mr. Summers, Japanese leaders stressed Japan's efforts to clear away the bad debt and bolster the economy, while Mr. Summers called upon Japan to continue fiscal stimulus, including tax cuts.

Mr. Summers described his talks with Finance

See YEN, Page 15

West Snaps Up Asian Businesses

As Crisis Deepens, U.S. and European Firms Move In

By Michael Richardson
International Herald Tribune

SINGAPORE — As East Asia's financial and economic crisis deepens, Western companies are buying Asian businesses at a record rate to increase their strategic presence in the region and outflank rivals, especially from Japan, executives and analysts say.

"The aggressive maneuvering by European and American firms in Japan's own backyard could put Japan at a competitive disadvantage for years to come," said Robert Broadfoot, managing director of Political and Economic Risk Consultancy Ltd. in Hong Kong. "It will also increase pressure on Japanese firms to enter into alliances with either Americans or Europeans."

Since the financial crisis in East Asia began almost a year ago, Western firms — led by U.S. and European corporations — have spent tens of billions of dollars to snap up Asian assets forced onto the market and made much cheaper by the economic slowdown and the plunge in local currency values.

Executives involved say that they expect the

See BUYOUTS, Page 5

Suddenly, an Independent Middle Class Is Flourishing in China

By Elisabeth Rosenthal
New York Times Service

BEIJING — Every Friday afternoon, dozens of late-model cars pull up to the iron gate of the 3-year-old 21st-Century Experimental School, one of this city's new private schools.

In a city where sturdy black bicycles are still the favored mode of transportation and horse-drawn carts ply the streets, men in suits and women wearing diamonds alight from Fords, Jeeps and BMWs, rushing into the building to pick up their children — some as young as 5 —

who board at the school from Monday to Friday at a cost of \$2,000 a year.

It is a substantial sum in a country where the average annual income is \$1,000. And tuition does not include the \$10,000 "contribution" that parents generally make when their children enroll. But parents fight to have their children here.

"The tuition is high," said Du Juan, who owns an information consulting business. "But it's worth it for my daughter's future. The teachers, the environment and the equipment are better here."

From the ashes of communism, the last few years have seen the stunning growth of a flourishing Chinese middle class. Ten years ago, this group did not exist, but now its core of independent businessmen has been joined by a growing number of private-sector lawyers, artists and employees of joint-venture companies.

It is first defined by what its members have: computers, microwaves, interior decorators and, increasingly, cars and homes. On Saturday nights they go to concerts and in winter they vacation in Thailand. But the rapid accumulation of material goods has left its psychological mark, infusing this group with a kind of independence, and carefree optimism, that has not existed in China for decades.

"For many people the change in the last decade has really been tremendous — so tremendous it's hard to measure," said Conghua Li, a Beijing-born analyst at Deloitte and Touche Consulting Group in Toronto. "Every time I go back, I'm shocked and surprised, mostly in a good way."

See CHINA, Page 4

Support of Yen Came Without Quid Pro Quo

By Carl Gewirtz
International Herald Tribune

PARIS — Despite widely held expectations that some quick fix would be announced over the weekend for the Japanese economy and the weak yen, bankers warned Friday that there was no magic solution and that more turmoil remained ahead.

Optimism that quick results would follow a meeting Saturday of senior finance officials from the Group of Seven industrial nations is misplaced, said analysts at Bankers Trust and J.P. Morgan.

The surprise U.S. intervention this week that revived not only the yen but also emerging-market currencies and equity markets around the world was not a signal for some dramatic change in Japanese policy to be announced over the weekend, they said.

"There is no new plan," Philippa Malmgren at Bankers Trust, said of Japanese policymakers. "They have nothing to announce."

She added: "And even if there were a plan, they couldn't possibly announce it before the July 12 upper house election because any plan would imply somebody's job is going to be lost."

Said Avinash Persaud at J.P. Morgan: "There is nothing on the horizon to alter the fundamental dynamism weakening the yen."

The senior finance officials from the G-7 countries and the Asia-Pacific region are gathering in Tokyo for a meeting Saturday aimed at prodding Japan to do more to pull its economy out of recession.

Some new initiative was expected from Japan as repayment for the midweek turnaround by the United States to support the yen against the dollar in the foreign-exchange market.

"I can't believe the U.S. government would have put its credibility at stake by intervening to support the yen without having a firm commitment from the Japanese government for some dramatic new initiative to lift the economy out of recession," a European banker said.

Typical of the high expectations pervading the market was a comment from Takeshi Hanai, head of foreign exchange at Industrial Bank of Japan Ltd. He was quoted by Bloomberg News as saying that "Japan could be forced to enact a permanent income-tax cut and adopt bolder measures to revive the economy."

"It's increasingly apparent that the U.S. decision to intervene wasn't made by Treasury Secretary Rubin but by President Clinton," Ms. Malmgren said. Prodded by the U.S. State Department, which feared the president would be embarrassed if China devalued its currency while he was there on a state visit, she said Mr. Clinton initiated the overture to Prime Minister Ryutaro Hashimoto to intervene to halt the yen's decline without receiving any specific commitment on what the Japanese would do in turn.

See JAPAN, Page 15

The Dollar			
New York	Friday @ 4 P.M.	previous close	
DM	1.7886	1.7845	
Yen	136.085	137.835	
FF	5.995	6.0175	
Pound	1.6748	1.672	
Dollars per pound			
The Dow			
	Friday close	percent change	
-100.14	8,712.87	-1.14%	
S&P 500			
-5.78	1,100.59	-0.52%	
Nasdaq			
+8.02	1,780.72	+0.45%	
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Sports	Pages 19-21		
The International			
Page 7			
The IHT on-line: www.ihtr.com			

AGENDA

UN Votes to Aid Sales of Iraqi Oil

UNITED NATIONS, New York (Reuters) — The Security Council on Friday unanimously approved \$300 million in equipment to upgrade Iraq's dilapidated oil industry so it could meet higher export targets under the UN oil-for-food program.

Iraq, however, opposed language in the resolution that it says would make the program permanent. Baghdad wants the sanctions ended.

"Iraq is going to reject this resolution," said its UN ambassador, Nizar Hamdoon.

Iraq is allowed to sell \$5.25 billion in oil over six months so it can buy food, medicine and other humanitarian supplies for its people to ease the impact of the sanctions imposed after Iraq invaded Kuwait in 1990.

Iraq smuggles oil to Turkey. Page 4.



STANDOFF — Julio Cesar Enciso of Paraguay deflecting the ball as Juan Pizzi of Spain closed in during their goalless match Friday in Saint-Etienne, France. Page 21. In an earlier match, Nigeria beat Bulgaria, 1-0, to advance to the second round and win the Group D title. Page 20.

Don't Bet on U.S. Soccer

The Confession of a Disillusioned Expatriate

By John Vinocur
International Herald Tribune

PARIS — When I meet my maker — the way things are going, probably in a 10-minute conference call with guys from the Shoe Industry Daily and the Delmenhorster Kreisblatt — my greatest fear is that He'll ask me what kind of man could have bet serious euros-to-be on the U.S. soccer team against Germany.

Certainly not a person concerned about his children's education or the well-being of his aged mother.

Do you know those mail-order things they stick in the pouch of your airline seat, the ones with the CD-ROM offer that allows you to discover the secrets of building global wealth and master the



WORLD CUP COMMENTARY

fast-track way to super riches, free of tax and red tape from the security of your own home or office? I went for it. I went for the Americans virtually sight unseen on the strength of a couple of paragraphs in the paper that they had beaten Brazil and Austria with neutral referees and somebody keeping score.

I took the U.S. to win or draw against Germany, and however indefensible, there was a bigger, even partly serious reason.

Here: I have always been enraged by the 11,000 articles I have read in Europe that say that the United States is incapable of emerging as a soccer power because the things the sport involves, like patience and endurance, nuanced pleasures and low scores, go against our deepest nature. I hate when they write how could the Yanks ever get good at a game that is so unlike them, without yield for extravagance or quick fixes?

So I bet, from the heart, on our capacity to change, to learn, to put things right, to sometimes touch what is marvelous and surprising. It was a political bet, based on a conviction about a culture and, as it turned out, one totally detached from reality.

The Americans were awful: A team of scuttlers, ball chasers. It had deteriorated in four years since the last World Cup, becoming a pasty, nebbishy group that looked like it had been

See ADS, Page 4

See GAMBLE, Page 21

Newsstand Prices			
Bahrain	1,000 BD	Mails	55 c
Cyprus	£ 1.00	Nigeria	125,000 Naira
Denmark	14.00 Dkr	Oman	1,250 O.R.
Finland	12.00 Fm	Qatar	10,000 Q.R.
Gibraltar	£ 0.85	Rep. Ireland	IR £ 1.00
Greece	2.00	Saudi Arabia	10 SR
India	1,250 JD	S. Africa	R12 + VAT
Israel	£ 5.50	U.A.E.	10,000 Dh
Jordan	JD 180	U.S. M. (Eur.)	\$ 1.20
Korea	K SH 180	U.S. M. (Eur.)	\$ 1.20
Kuwait	700 Fils	Zimbabwe	Zm\$40.00

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Turkey's Next Military Chief Is Likely to Reduce Role in Politics

By Stephen Kinzer
New York Times Service

ISTANBUL — Turks who believe that the military has become too deeply involved in politics here are hoping that the emergence of a new military commander in August will have a profound effect on national life.

The five-year term of Turkey's chief of staff, General Ismail Hakkı Karadayı, who has led the military deeply into politics in an effort to stem what he says is the rise of religious fundamentalism, expires Aug. 30. His successor is likely to be an officer who believes that the military should stay closer to its barracks and further away from politics. Turkey has had weak and fragmented

governments for the last five years. This week the latest in the line of embattled prime ministers, Mesut Yılmaz, announced that he would resign at the end of this year and that new national elections would be held in April.

As civilian leaders have proved unable to overcome personal and political rivalries, the role of the military has increased considerably. It is now the country's most potent political force, as it showed last year by forcing the resignation of Prime Minister Necmettin Erbakan, whom officers accused of supporting fundamentalism.

The military has also taken over principal responsibility for Turkey's relations with Greece and other nearby countries, as well as for policy toward

Cyprus and toward this country's Kurdish minority.

The military encourages prosecutors to pursue cases against writers, journalists and politicians who express heretical views on these or other matters.

Military commanders have compiled a list of businesses that government agencies should boycott because they have been deemed favorable to Islamic politics. They are pressing Parliament to pass a series of anti-fundamentalist laws, including curbs on Islamic foundations and new restrictions on the construction of mosques.

With the military now so involved in civilian policy, and with political parties so weak and fragmented, a change in the

top military command might have a far more profound effect on Turkish life than an election.

The Turkish military command operates under strict rules and traditions. They dictate that General Karadayı will step down in August and that he will be replaced by the army commander, General Hüseyin Kivrikoglu.

Although General Kivrikoglu has kept a low public profile and declines requests for interviews, officers who know him and commentators who monitor the army believe that he will seek to restrict the military's political role. Some speculate that he will transfer senior officers who have directed the anti-fundamentalist campaign.

"If Kivrikoglu gets the job, and I

think he will, the army will begin pulling back from politics," said a veteran newspaper and television commentator who asked not to be identified. "He is a secularist and against Islamic politics, like all top military people. But he's not an activist. He takes a more limited view of what role the military should play in Turkish politics and society."

Military commanders have become impatient with Mr. Yılmaz for his failure to press harder against fundamentalism, a policy he has adopted partly because he does not want to alienate Islamic-oriented voters. General Kivrikoglu is considered not only less insistently anti-fundamentalist but also more positive toward Mr. Yılmaz.

BRIEFLY

Minsk Bars Envoys From Their Homes

MOSCOW — France, Germany, Italy and the United States were deciding Friday whether to recall their ambassadors to Belarus after the diplomats were refused entry to their homes near the capital.

An EU ambassador, speaking by telephone from Minsk, said the four ambassadors would follow instructions from their governments. Vehicles were also being barred entry to the huge Drozdki Park in which the compound is located, he said.

The lock-out, which occurred early Friday, is the latest twist in a Cold War-style dispute between 20 ambassadors using the property and the Belarus president, Alexander Lukashenko, who Thursday claimed the diplomatic compound as his own residence.

In Brussels, a European Union official said EU officials would meet on Monday to discuss the crisis and would "probably" recall their ambassadors in protest. (AP)

Germans Cleared Of Nazi 'Crimes'

BONN — Germany's upper house, the Bundesrat, approved on Friday a law rehabilitating hundreds of thousands of Germans convicted of crimes by the Nazis, including soldiers who deserted the Hitler armed forces in World War II.

The blanket pardon, approved last month in the lower house, the Bundestag, also clears the names of dissidents, Jews and 350,000 men and women ordered sterilized by special Nazi courts to help create a supposed German "master race." About 50,000 sterilization victims are still alive.

The debate on the law spanned decades and ultimately required a compromise on wording to satisfy holdouts in Chancellor Helmut Kohl's coalition. (AP)

For the Record

Pope John Paul II, starting his third visit to Austria, appealed Friday for a broad vision of a united Europe embracing the entire continent from which no one should feel excluded. The Pope described Austria as a strong heart beating at the center of Europe. (Reuters)

U.S. Pulling On India and It Wants to Minimize

By Thomas W. Lippman

WASHINGTON — The U.S. State Department is now pulling on India to minimize the impact of a new nuclear deal.

The sanctions have been imposed on India for its nuclear tests. The U.S. is now trying to get India to agree to a new deal that would allow it to have nuclear power without the ability to develop nuclear weapons.

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Last 3 F-16s Leave Cyprus For Turkey

Reuters

LEFKONIKO, Cyprus — Three Turkish F-16 warplanes left Cyprus on Friday after a one-day stay that has added to heightened tension on the divided island following a Greek Air Force visit earlier in the week.

Witnesses said the three F-16s took off from a small Turkish Cypriot airport in Lefkoniko and circled before heading north toward Turkey. People cheered and waved at the jets as they flew past.

Six F-16 warplanes arrived Thursday in the northern sector of the Mediterranean island amid growing strains between Greece and Turkey. The other three jets left Thursday afternoon.

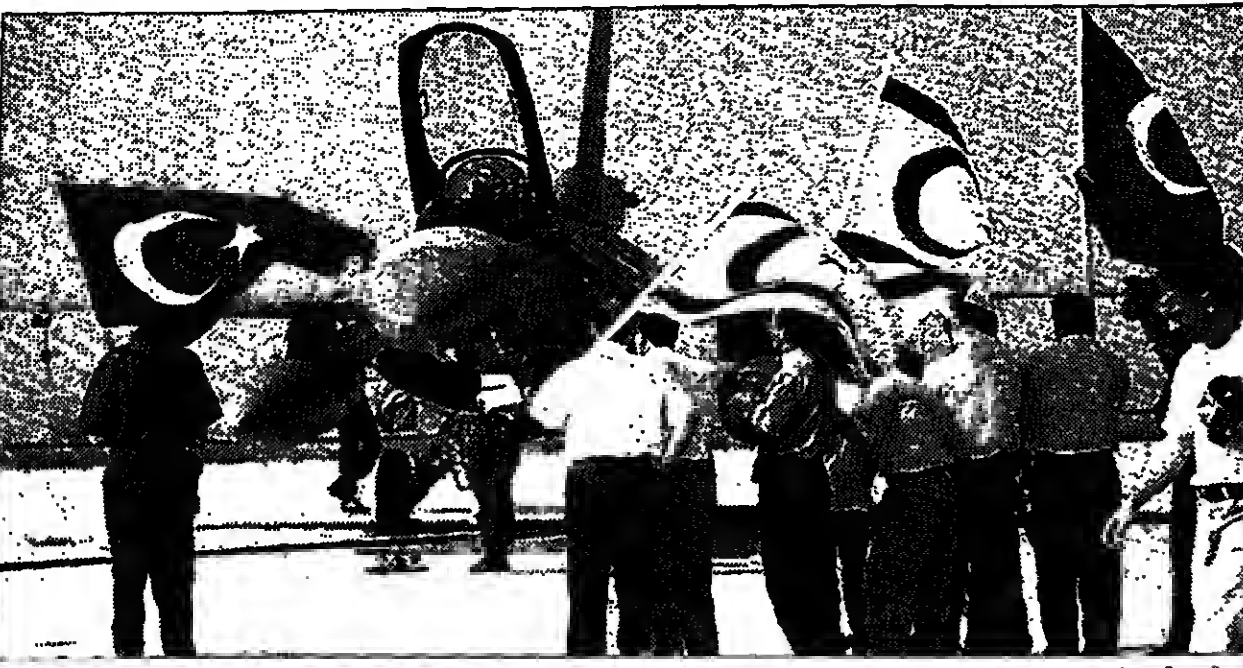
The Turkish move was in retaliation for a visit by four Greek F-16s and two C-130 transport planes to the southern Cypriot air base of Paphos this past week. They have also left.

The Turkish newspaper Milliyet said Friday that Turkey was planning to hold naval exercises near its western border with Greece. The maneuvers would form part of a monthlong Turkish military operation in the Mediterranean and Aegean seas.

"All ships taking part in the maneuvers will meet in the northern Aegean and conduct shooting exercises over the sea off Saros," the paper said.

Greece on Friday sought to play down the chances of a clash with Turkey over Cyprus, describing the presence of the Turkish F-16 fighters on the island as simply grandstanding by Ankara.

Cyprus has been divided since Turkish troops invaded in 1974 in response to a Greek-inspired coup in Nicosia.



Civilians waving Turkish flags Friday at an air base in Lefkoniko, where three Turkish fighters took off for home.

Carlos Castaneda, Mystic Writer, Is Dead

The Associated Press

LOS ANGELES — Carlos Castaneda, a godfather of the New Age movement whose best-selling books claimed to relate the ancient mystical secrets of a shaman named Don Juan, died April 27. He was believed to be 72.

Mr. Castaneda died of liver cancer at his home in Westwood, California, said Deborah Drooz, a friend and executor of his estate.

"He didn't like attention," she told the Los Angeles Times. "Knowing that, I didn't take it upon myself to issue a press release."

For more than 30 years, Mr. Castaneda claimed to have been the apprentice of a Yaqui Indian sorcerer named Don Juan Matias. He had millions of followers around the world, and his 10 books continue to sell in 17 languages.

Mr. Castaneda received a Ph.D. in anthropology from the University of California, Los Angeles, in 1973. He said he met Don Juan in Arizona in the early 1960s while researching medicinal plants, and followed him when the shaman moved to Sonora, Mexico.

His first book, "The Teachings of Don Juan: A Yaqui Way of Knowledge," was a best-seller when it appeared in 1968, as were several sequels that purported to track Mr. Castaneda's 12-year apprenticeship.

In the works, Mr. Castaneda described supernatural, peyote-fueled journeys with a sorcerer who could bend time and space. The books were critically praised — the writer Joyce Carol Oates called them "remarkable works of art."

No funeral service was held, and his cremated remains were taken to Mexico.

Greece, Hoping For a UN Seat, Invites Envoys

By Robert Kroon
International Herald Tribune

GENEVA — The government of Greece has sent formal invitations to all 188 chief delegates at the United Nations for a free, one-week visit to Greece, including a cruise in the Aegean, for themselves and their spouses.

The show of hospitality coincides with Greece's bid for a rotating seat on the UN Security Council, which will be decided by a General Assembly vote in October.

On Jan. 1, Portugal and Sweden will end their two-year terms as nonpermanent Security Council members from the grouping representing Western Europe, Australia, Canada and New Zealand.

Canada, the Netherlands and Greece are seeking the seats being vacated by Sweden and Portugal. The nations of the Western European grouping could not agree on a selection, so the lobbying is on.

Such campaigns are not new to the United Nations system.

Gro Harlem Brundtland, the former Norwegian prime minister who is the new director-general of the World Health Organization, last year visited dozens of Asian and African capitals, whose votes would be needed to win the WHO contest.

Greece's hospitality gesture has raised some eyebrows. "This is an unprecedented and questionable twist in UN campaigning style," said Peter van Wulfften Palthe of the Netherlands permanent UN mission in Geneva. "The Netherlands will decline Greece's invitation."

Czech City Rejects Plan to Fence In Gypsies

By Peter S. Green
International Herald Tribune

PRAGUE — The authorities in Pilsen say they have rejected a proposal by city employees to isolate residents described as "undisciplined," mainly Gypsies, in a compound on the city's edge.

A spokeswoman for the Pilsen town hall, Zdenka Kubalova, said that the proposal to rehouse such people among Pilsen's public housing residents in a collection of fenced-in temporary shelters on the city outskirts had been abandoned.

"It was just a plan by city employees, and it was not approved by the city council," Miss Kubalova said.

But Pilsen still plans to move such people into renovated dormitory-style housing near railroad tracks, though

these residences would not be fenced in. The plan includes a room for the police and calls for increased police patrols around the building.

Critics of the plan and leaders of the Czech Gypsies, who prefer to be known as Romanies, say that Romanies would be disproportionately affected. Romanies tend to be poorer, less educated and darker skinned than most Czechs and are often the target of racial abuse and discrimination.

In the northern Czech city of Usti nad Labem, meanwhile, the authorities say they are still considering plans for a wall to separate a housing project populated mainly by Gypsies from homes owned by non-Gypsies.

In Usti, officials and local press reports say the situation has calmed down

after several Romany civic groups met with residents on both sides of Matieni Street, focus of the controversy. Another meeting is planned for September.

"If in September, Matieni seems as it is now, clean and quiet because the Romanies have realized that they have to live in a civilized society, then we don't have to build it," said Miroslav Hacinik, the mayor of Usti's Nestecnice district.

Mr. Hacinik said the plans called for an anti-noise wall four meters high (13 feet) made of concrete bricks on Matieni Street, and a 2.2-meter-high metal fence on the far side of the housing project. Along with two neighboring buildings, this would effectively wall in the Romanies of Matieni Street.

Yeltsin's Latest: 3 Swiss Banks Offer \$600 Million

Agence France-Presse

KOSTROMA, Russia — President Boris Yeltsin said Friday he would not seek a third term in office in 2000 when the next presidential elections are held.

Questioned on whether he would run in the election, at a meeting with students in this town northeast of Moscow, Mr. Yeltsin said: "No, this is not planned under the constitution. The constitution provides for only two terms."

Mr. Yeltsin has repeatedly fudged the sensitive issue over recent months.

3 Swiss Banks Offer \$600 Million

The Associated Press

ZURICH — Switzerland's three biggest commercial banks offered \$600 million Friday in a "global settlement" of claims by Holocaust victims.

In Israel, a spokesman for the World Jewish Restitution Organization immediately rejected the offer, which would settle claims for money allegedly stolen from dormant accounts opened before the end of World War II.

"The Swiss banks know that the amounts they are discussing are offensive and if we were not dealing with such a tragic story, this would be laughable," said the spokesman, Yoram Dori.

The banks issued a statement saying they were breaking their silence on two months of negotiations because the other side had repeatedly violated a confidentiality agreement.

"The World Jewish Congress and the plaintiffs' lawyers are seriously jeopardizing the settlement negotiations," the statement said.

The negotiations are being held under the auspices of a U.S. undersecretary of state, Stuart Eizenstat.

Recent reports from New York citing sources close to the talks have said the banks — Union Bank of Switzerland, Swiss Bank Corp. and Credit Suisse — were offering \$1 billion or more.

The banks have been negotiating the settlement since last April with Jewish organizations and lawyers for claimants in a multi-billion-dollar suit filed in New York.

The \$600 million sum, termed the "rough justice" amount, would include \$70 million already paid into a Swiss fund to help needy Holocaust survivors, the statement said.

TRAVEL UPDATE

Italian Museums Stay Open Later

ROME (AP) — More than 50 museums, palaces and archaeological sites in Italy will extend their evening hours beginning Saturday and lasting until Sept. 12.

The sites include the Roman Forum and Castel Sant'Angelo Museum in Rome, Villa Adriana and Villa d'Este on the outskirts of the capital, the archaeological site of Pompeii and the Capodimonte gallery in Naples. Royal palaces in Caserta, south of Naples, and Turin will also be open longer.

Museums will keep their doors open until 11:30 P.M. up to three nights a week. Archaeological sites and monuments will stay open until 8:30 P.M.

Polish Trains

WARSAW (AP) — Striking rail engineers failed to reach agreement with the government Friday and said they would continue their strike for higher pay, which has added more than 55 percent of the nation's trains for three days.

Portugal Strike

LISBON (AP) — Rail workers went on strike Friday, paralyzing most of the country's trains and snarling rush-hour traffic into major cities for the third time in three weeks.





WEATHER

Forecast for Sunday through Tuesday, as provided by AccuWeather.

Europe

City	Today	High	Low	Tomorrow	High	Low	Day After	High	Low
Amsterdam	51/68	51	41	51/68	51	41	51/68	51	41
London	51/68	51	41	51/68	51	41	51/68	51	41
Paris	51/68	51	41	51/68	51	41	51/68	51	41
Rome	51/68	51	41	51/68	51	41	51/68	51	41
Madrid	51/68	51	41	51/68	51	41	51/68	51	41
Barcelona	51/68	51	41	51/68	51	41	51/68	51	41
Berlin	51/68	51	41	51/68	51	41	51/68	51	41
Moscow	51/68	51	41	51/68	51	41	51/68	51	41
Stockholm	51/68	51	41	51/68	51	41	51/68	51	41
Helsinki	51/68	51	41	51/68	51	41	51/68	51	41
Oslo	51/68	51	41	51/68	51	41	51/68	51	41
Warsaw	51/68	51	41	51/68	51	41	51/68	51	41
Prague	51/68	51	41	51/68	51	41	51/68	51	41
Bratislava	51/68	51	41	51/68	51	41	51/68	51	41
Vienna	51/68	51	41	51/68	51	41	51/68	51	41
Zurich	51/68	51	41	51/68	51	41	51/68	51	41

North America

	
	
North America	Europe
<p>Warm in the Northwest Sunday, then a little cooler with some showers and thunderstorms Monday and Tuesday. Very warm and humid with thunderstorms in the Northeast, but more comfortable with some sun Monday and Tuesday. Mostly sunny, hot and dry here. Texas into the south Pacific.</p>	<p>Sunny and warm Sunday here and some showers then dry through Tuesday. Most of the showers storms, with the rest of Europe with normal weather.</p>

U.S. Pulling Its Punches On India and Pakistan

It Wants to Minimize Hardships on People

By Thomas W. Lippman
Washington Post Service

WASHINGTON — The Clinton administration has now put into effect economic sanctions to punish India and Pakistan for testing nuclear devices, but it has limited their scope in an effort to minimize hardships for the people of those countries and to avoid cutting ties completely.

The sanctions have terminated economic aid and loans and military sales to both governments, but they have not banned trade, bank loans to privately-owned firms or investment by American companies.

Humanitarian aid and loans for "basic human needs" such as water and housing will be allowed to continue, officials said.

"It is not the intention of the United States or any of our international partners to isolate India or Pakistan," Deputy Secretary of State Strobe Talbott said Thursday at a State Department briefing. "We're not trying to engage in punishment for its own sake. And in particular, we have no wish to see the people of either of these countries suffer as a result of their governments' mistaken and dangerous decision to test nuclear weapons."

U.S. law requires the imposition of sanctions on any country other than the acknowledged nuclear powers — France, China, Russia and Britain — that tests a nuclear weapon. President Bill Clinton had announced that sanctions would be levied after India and Pakistan conducted such tests last month.

But carrying out that decision has turned out to be more complicated than expected for several reasons, senior officials said.

Washington was angrier at India, which tested first, than at Pakistan, but the law makes no provision for applying different levels of sanctions. Given Pakistan's relative economic weakness, the administration chose to pull a

few punches, even if that meant reducing penalties on India.

Furthermore, the purpose of the law was deterrence, and deterrence in this case failed. Since the threat of sanctions did not dissuade India and Pakistan from testing, some officials argued, there was little point in imposing a trade ban or Iran-style cutoff that would have undermined U.S. business interests.

Finally, the law contains no provision for lifting the sanctions, other than an act of Congress. Any sanctions imposed will remain in place regardless of how India and Pakistan respond to them.

After consultations that involved various agencies, the administration decided to cut off all direct assistance other than food, including \$21 million in economic development and housing aid and a \$6 million program for India for abatement of air pollution believed to produce a greenhouse gas effect.

India was allocated \$52 million in nonfood economic aid in fiscal 1998, Pakistan, under previously imposed sanctions, was to receive just \$1.5 million.

Military sales, munitions exports and small military training programs were terminated. Export-Import Bank financing, including \$500 million in pending deals in India, "will not go forward," according to a State Department fact sheet.

In addition, exports of most "dual use" items that could have military as well as civilian applications will be barred.

New Delhi Deplores Sanctions

India said Friday it regretted the economic sanctions imposed by the United States, Reuters reported from New Delhi.

"Coercive measures such as these interfering with the free flow of trade, investment and technology are unjustified and counterproductive," the Foreign Ministry said.

Smoking Linked to Alzheimer's

Study in Netherlands Finds Risks of Dementia Are Doubled

The Associated Press

LONDON — Smoking more than doubles the risk of developing dementia and Alzheimer's disease, according to a study published Friday that is described as the largest effort to investigate a link.

Although earlier studies on the relationship between smoking and Alzheimer's have conflicted, scientists say the latest findings are important because of the study's size and because it was the first major project to evaluate people before they developed brain disease.

The study by researchers at Erasmus University in the Netherlands, published in this week's issue of the British medical journal *The Lancet*, followed 6,870 men and women aged 55 and older living in a suburb of Rotterdam.

It found that smokers were 2.2 times more likely to develop dementia of any kind

and had a risk for Alzheimer's disease that was 2.3 times higher than those who had never smoked cigarettes.

Former smokers had a slightly higher risk than life-long abstainers, but not significantly so.

Alzheimer's disease, characterized by the degeneration of brain cells, is the most common form of dementia.

Some earlier studies found that smoking increases the risk of developing Alzheimer's disease, while others concluded that it protects against it.

Unlike previous studies, none of the people in the Rotterdam study had dementia when first examined. They were asked about their smoking habits and divided into smokers, former smokers and those who had never smoked. Two years later, 146 of them had developed dementia and 105 of those had been diagnosed with Alzheimer's disease.

Moon Ride Saves Errant Satellite

New York Times Service

LOS ANGELES — An unusual effort to salvage an errant communications satellite by slinging it around the Moon has succeeded in restoring the spacecraft to a "commercially viable" orbit around Earth, according to

the satellite's manufacturer. "We're ecstatic," said Mark Skidmore, manager of the rescue effort at Hughes Electronics, a subsidiary of General Motors Corp.

Mr. Skidmore said the mission, which marked the first time a private company had

sent a spacecraft around the Moon, accomplished "everything we set out to do."

On Wednesday, the satellite entered a geosynchronous orbit, 22,300 miles (37,000 kilometers) from Earth.

The satellite, originally called AsiaSat 3, was launched in December to provide television and telephone service in Asia. But the Russian-built launcher malfunctioned, leaving the satellite in an unusable orbit. The satellite was declared a loss, and its owner, a company based in Hong Kong, received \$200 million.

Hughes Aircraft took ownership of what seemed to be a very expensive piece of "space junk." In April, the company began a seemingly improbable salvage mission — to send the satellite around the Moon, 240,000 miles away, and back to an Earth orbit.

The idea was to have the Moon's gravity provide some of the gravitational energy needed to correct the satellite's orbit, which was inclined 51 degrees to the Equator. A ideal orbit would be directly over the Equator.

In fact, Hughes ended up sending the satellite around the Moon a second time, something it had not planned, to achieve an even more precise correction in the orbit.

However, the orbit is still slightly inclined to the Equator. Hughes will be able to keep the satellite at a fixed longitude but, when viewed from Earth, it will drift a few degrees north and south of the Equator every day.

Because it is not perfectly stationary relative to Earth, the satellite cannot be used for certain tasks such as direct broadcast of television signals to home receiver dishes.

So Hughes faces another challenge: finding someone who wants to buy a satellite.

POLITICAL NOTES

Narrow Anti-Smoking Bill Due

WASHINGTON — House Republican leaders have announced that they will bring up a narrowly focused bill aimed at curbing teenage smoking and drug use next month, setting up an immediate confrontation with Democrats and public health groups that derided the approach as "worse than nothing at all."

A day after Senate Republicans killed a comprehensive national tobacco bill, the anti-smoking battle grew noisier and nastier, with Republican leaders promising alternatives to the broad-based measure and Democrats intensifying their incoherence.

The House speaker, Representative Newt Gingrich, Republican of Georgia, made clear his intent to put forward a tobacco bill, although he left unclear how he would fund it. The Senate majority leader, Trent Lott, Republican of Mississippi, held a news conference to say that he, too, would try to move a more focused, less costly tobacco measure. "If the Democrats just want an issue, fine," Mr. Lott said. "If they want to get something done for the American people, they'll have to work with me."

Democrats and public health advocates were not buying Mr. Gingrich's argument. If anything, the two sides appeared even further apart on the tobacco issue. "There is no such thing as a slimmed-down bill that protects kids from tobacco smoking," said the White House press secretary, Michael McCurry. (WP)

Satellite Deals Defended

WASHINGTON — Clinton administration officials have made their case to two skeptical congressional committees that the controversy about U.S. satellite deals with China is overblown and that allowing U.S. spacecraft to be launched aboard Chinese rockets helps persuade Beijing to stop selling weaponry to other countries.

Meanwhile, the House voted, 409-10, Thursday to set up a special nine-member committee with far-reaching authority to look into whether U.S. national security was undermined by Clinton administration actions allowing the launch of U.S. satellites on Chinese Long March rockets.

The committee was given wide subpoena powers and the ability to examine tax records of people and businesses it deems relevant dating back to 1988. (WP)

Quote/Unquote

Senator Alfonse D'Amato, Republican of New York, urging Senator Lott to allow a vote on the nomination of James Hommel, who is openly gay, as ambassador to Luxembourg: "I fear that Mr. Hommel's nomination is being obstructed for one reason and one reason only: the fact that he is gay. In this day and age, when people ably serve our country in so many capacities without regard to sexual orientation, for the United States Senate to deny an appointment on that basis is simply wrong." (NYT)



Workers searching for victims after a circus tent collapsed on the audience during a storm in Wisconsin.

Away From Politics

• Strong thunderstorms hit the Midwest, collapsing a circus tent in West Salem, Wisconsin, and sending 500-pound support poles swinging as the audience scrambled to escape. About 25 people were hurt, including a circus worker who was trampled by a horse. (AP)

• Macy's is being sued by two shoppers who want the department store's aisles in San Francisco widened to accommodate their electric wheelchairs. Macy's contends that it needs every inch of available floor space to display its wares and remain competitive. (AP)

• A law school graduate who recently sold his life story of battling schizophrenia to Hollywood was held on suspicion of murdering his girlfriend, police said in Hastings-on-Hudson, New York. Michael Laudor, 35, was taken into custody after the body of Caroline Costello was found in their apartment. (Reuters)

A Reticent Monica Lewinsky

Intern Withheld Vital Details, Initial Attorney Says

By Peter Baker and Susan Schmidt
Washington Post Service

WASHINGTON — Monica Lewinsky's first lawyer says that she withheld important details from him — such as gifts from President Bill Clinton and help from the president's friend Vernon Jordan Jr. to find a job — when she hired him to draft an affidavit denying a sexual relationship with Mr. Clinton.

The lawyer, Francis Carter, was recruited by Mr. Jordan, a Clinton confidant, who drove the former White House intern to Mr. Carter's office last December.

He then kept in touch with her over the next few weeks as her affidavit in the Paula Jones sexual harassment case was being drafted.

But Mr. Carter said Ms. Lewinsky never told him about gifts from Mr. Clinton that had been subpoenaed, and neither one mentioned job interviews for Ms. Lewinsky.

Mr. Carter's role in representing Ms. Lewinsky before her family hired William Ginsburg, a medical malpractice specialist in California, has been a central focus of the investigation by the independent counsel Kenneth Starr into whether Mr. Clinton or Mr. Jordan had obstructed justice by encouraging her to lie under oath about an affair.

In his first public comments since the Lewinsky investigation began in January, Mr. Carter portrayed himself as an unwitting player in a momentous legal and political saga, one not of his own making.

After losing two court battles to preserve his attorney-client privilege with Ms. Lewinsky, Mr. Carter was forced to turn over records to Mr. Starr, and he spent all day Thursday testifying before the grand jury.

Ms. Lewinsky, he told the grand jurors, never gave any hint she had established an intimate relationship with the president.

"She never wavered," Mr. Carter said in an interview after completing his testimony. "I never received any kind of information from her at any time that contradicted any-

thing that's in that affidavit. Six months later, after a deluge of a lot of facts and interviews and documents, who can say? At the time, I had no reason to doubt what she was telling me."

During the interview, Mr. Carter offered no specific information contradicting previously known accounts, but he shed new light on the dramatic days leading up to when the Lewinsky story broke, including how he had been brought into the case, what he was told and how he learned that he had been dismissed as Ms. Lewinsky's lawyer.

Perhaps most intriguing is what Mr. Carter said he was not told during the month he worked on behalf of Ms. Lewinsky.

While the former White House intern and later aide informed him that she was looking for a job in New York, Mr. Carter said she never let on that Mr. Jordan was the one setting up the interviews.

"I had no idea of any connection between Vernon and her and any job search," he said. "She never mentioned it and neither did Vernon."

Had they raised it, Mr. Carter said, it would have provoked questions. "I might have asked her why he was doing it," he said.

Knowing Ms. Lewinsky was a friend of Walter Kaye — like Mr. Jordan a prominent Democrat with White House connections — Mr. Carter said it might still not have convinced him there was anything amiss.

Mr. Starr is investigating whether the job help was part of an illegal effort to keep Ms. Lewinsky from giving evidence in the Jones lawsuit about an affair with Mr. Clinton. The Jones lawsuit has since been dismissed.

Mr. Jordan has said he came to the aid of Ms. Lewinsky at the request of Betty Currie, the president's personal secretary, and that he kept Mr. Clinton apprised of his progress.

Ms. Lewinsky, Mr. Carter said, also never told him about gifts from Mr. Clinton, although the president reportedly gave her a pin, a brooch, a long T-shirt and a copy of Walt Whitman's "Leaves of Grass."

Faked Quotes Force Out Columnist

Boston Globe Writer Admits Fabricating People She Wrote About

New York Times Service

NEW YORK — A columnist at The Boston Globe, a Pulitzer Prize finalist, fabricated people and quotations in four of her columns this year, and the newspaper has asked for her resignation, The Globe has announced.

In one case, she made up nearly an entire column about a woman dying of cancer, the newspaper said.

The Globe said the columnist, Patricia Smith, 42, a widely respected figure in the Boston area, had acknowledged the transgressions.

"It's a tragedy," said Matthew Storrin, The Globe's editor. "And I feel that we have handled it in the only way we could, and that itself speaks well for the institution."

Mr. Storrin added, "There is no middle ground on something like this."

That was self-evident.

Mr. Storrin said he had yet to receive Ms. Smith's letter of resignation. But in Ms. Smith's final column, published in Friday's issue of The Globe, which is owned by The New York Times Co., she acknowledged her misdeeds.

"From time to time in my metro column, to create the desired impact or slam home a salient point, I attributed quotes to people who didn't exist," she said. She also apologized "to the grocery clerks and bartenders and single mothers, to the politicians, PR flacks, spokespersons and secretaries, to my dear husband and family and friends, I am sorry for betraying your trust."

The Globe said it discovered Ms. Smith's fabrications two weeks ago after senior editors thought that "some quotes seemed too articulate or too polished in certain circumstances," Mr. Storrin said.

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Habibie Gives A Key Post to Officer Linked To Massacre

By Philip Shenon
New York Times Service

WASHINGTON — President B.J. Habibie of Indonesia has appointed a senior military adviser a retired army general who was ordered by a U.S. court to pay millions of dollars in damages for his involvement in a 1991 massacre in which 270 people were estimated to have been killed.

The appointment of the retired officer, Lieutenant General Sintono Panjaitan, could result in early strains in the relationship between the United States and President Habibie, who came to office last month with promises of an improvement in Indonesia's human rights record and in its ties with Washington.

General Panjaitan oversaw troops who carried out the November 1991 massacre in East Timor, the former Portuguese colony that was invaded by Indonesia in the 1970s and annexed despite international protests.

The soldiers opened fire on demonstrators who had gathered at a graveyard for the funeral of a young East Timorese man who had been killed by soldiers two weeks earlier.

In 1994, General Panjaitan was ordered by a U.S. District Court judge in Boston to pay \$14 million in damages to the mother of a 20-year-old New Zealand man who was among those killed. The suit was filed in Boston by human rights activists after the general moved there for studies at Boston University.

The officer, who had been removed from his military post after the massacre, never appeared in court to answer the charges and returned home to Indonesia in 1992 to join the staff of Mr. Habibie, who was then technology minister.

According to news reports in Indonesia, General Panjaitan has had a long association with the president and has been appointed to the post of "expert on security and defense."



President B.J. Habibie being surprised by a kiss on a village visit Friday.

General Panjaitan has had a long association with the president and has been appointed to the post of "expert on security and defense."

President Habibie, the former vice president, became president after the resignation of President Suharto, who was forced from power in a popular uprising against his 32 years of often brutal authoritarian rule in Indonesia, the world's fourth-most-populous nation.

Since taking over this spring, President Habibie has promised a crackdown on human-rights abuses by the Indonesian military and has hinted that he may be willing to grant some degree of autonomy to East Timor. Last week he freed 12 political prisoners associated with the independence movement on East Timor.

Michael Ratner, a lawyer with the

Center for Constitutional Rights, a New York-based group that brought the case against General Panjaitan, said his appointment by President Habibie "does not bode well for East Timor or for the human rights situation in Indonesia — it indicates business as usual."

Mr. Ratner said the United States should "absolutely pressure Indonesia to get rid of this guy — the idea that a new government in Indonesia that claims to be turning over a new leaf would have this guy as its military adviser is pretty outrageous."

The State Department and the Indonesian Embassy in Washington had no immediate comment on the appointment. A State Department official said the department was aware that the general "is presently an adviser to the president and has been an adviser for some time."

BUYOUTS: West Snapping Up Asian Businesses During Crisis

Continued from Page 1

multinational corporations, banks and money managers mainly from the United States and Europe, but also from some cash-rich companies in Australia, Singapore, Taiwan and Hong Kong.

"No matter how bad it is over here, this is a part of the world you can't ignore," said Michael Koeneke, chairman of Global Mergers and Acquisitions for Merrill Lynch Securities. "If you do not have a position in the Asia-Pacific region, you're behind the curve."

He said that there was "a high degree" of interest in Asia from potential Western buyers, although many were waiting for prices to fall further.

Leveraged buyout funds were holding \$70 billion to \$80 billion in the United States that could be invested in Asia if markets there fell to even more attractive levels, Mr. Koeneke said, while buyout funds in Europe have \$30 billion that could also be deployed in Asia. The actual amounts invested could be five or six times greater if these cash war chests were leveraged with borrowed money, he added.

The fight for corporate advantage in Asia is a part of a global competitive fight that is intensifying in many key industries.

Of the three groups of companies — American, Japanese and European — that are most prominent in the struggle, analysts said that the Japanese are now in the underdog position in Asia because of the weakness of their economy, banking system and currency. As a result, Japan risks losing its previous commercial dominance in Asia.

Concern that Asians will lose control of their economic destiny has already been voiced by officials and other critics of foreign takeovers in a number of East Asian countries, including Malaysia, Thailand and South Korea. This nationalist backlash is likely to grow louder and stronger as the region's economic pain increases in the months ahead.

On Friday, Prime Minister Mahathir bin Mohamad warned of attempts by foreign "robbers" to take over major Malaysian companies.

The remark echoed comments he

made recently in Tokyo, when he warned that the takeover of devalued assets in East Asia by global conglomerates threatened the independence of the region's governments, creating a new form of colonial exploitation similar to that of U.S.-controlled "banana republics" in Latin America in the past.

But Christopher Clarke, vice president and managing director for Southeast Asia for the management consultants A.T. Kearney, said that Asian businesses that end up in the hands of multinational owners would still benefit Asian economies by "creating further growth and bringing in world-class brands and technology."

Other Western executives said that they were searching for joint ventures and partnerships in Asia that could help revive ailing local companies and benefit both sides.

Still, many East Asian firms are being forced by the economic crisis to sell loss-making and noncore assets to pay off loans and stay in business, while debt-laden banks, finance companies and securities houses are seeking large injections of foreign money to stay afloat.

For example, South Korea's heavily indebted Hanwha Energy Co. Ltd. recently sold its power generation business to ABS Corp. of the United States for \$874 million; Thailand's largest company, the Charoen Pokphand group, sold a 75 percent stake in its Lotus supermarket chain to the British supermarket giant Tesco PLC for \$200 million (\$320 million) and Merrill Lynch said it would pay up to \$68 million to take majority control of Phatra Securities Co., one of Thailand's largest brokerage firms, in a bet on the eventual turnaround of the battered Thai stock market.

Commerzbank AG of Germany announced this month that it would invest \$250 million to buy 30 percent of Korea Exchange Bank in South Korea. Earlier this year, two of Thailand's largest banks, Bangkok Bank Ltd. and Thai Farmers Bank Ltd., raised about \$2 billion between them in private sales to foreign institutional investors.

As much as half of Thailand's banking system will fall into the hands of large foreign banks, said Aswin Kongsiri,

chairman of the board of executive directors at Bangkok Bank of Commerce.

East Asian governments, under pressure to cut costs and raise revenues, are having to divest substantial stakes in state-owned and state-controlled industries to overseas interests to gain access to extra cash, management expertise, technology and new markets.

Indonesia this month named nine investment banks to manage the sale of substantial stakes in 12 state-controlled companies spanning telecommunications, cement, steel, airports, mining, toll roads and plantations.

"The dilemma is to raise the maximum amount of money while giving away the least amount of management control," said Bruce Rolph, head of research at Bahana Securities in Jakarta. Bahana is one of two state-owned securities firms advising the Indonesian government on the privatizations.

Analysts said that potential American buyers included Lockheed Martin Corp., GE Capital Corp., AT&T Corp. and American International Group Inc.

"Most of these companies are taking a longer-term view of the region," Mr. Broadfoot said. "They know Asia remains attractive in the medium term as a market and that the crisis has helped to lower barriers to entry of foreign firms. Moreover, the currency adjustments that have taken place since mid-1997 have greatly enhanced Asia's competitiveness as an export production site."

Countries hit hardest by the crisis, including Thailand, Indonesia, South Korea, Malaysia and the Philippines, are relaxing restrictions on foreign ownership in areas including financial services, property and retailing where outsiders were previously barred or tightly controlled.

While the plunge in the value of nearly all Asian currencies against the dollar and major European units makes Asian acquisitions relatively cheap for American and European buyers, Western executives caution that heavy debts, lax accounting and inadequate bankruptcy regulations make many Asian firms that are seeking buyers or joint venture partners a much riskier proposition than they might initially seem.

BRIEFLY

25 Hindus Massacred in Kashmir

JAMMU, India — Muslim militants Friday massacred 25 Hindu wedding guests in an ambush in the Indian state of Kashmir and injured five others, police said.

The shootings took place at Champnagri town, 225 kilometers (140 miles) north of the city of Jammu, a police spokesman said.

He said the victims, who included the bridegroom, had been traveling to the wedding by bus when the guerrillas struck. The militants then escaped to the nearby hills.

Police Chief Kuldeep Khandia said the attackers lined up the men in the wedding party before gunning them down. (AP)

Australia Assures Asians on Ties

BANGKOK — The Australian government is committed to growing ties with Asia despite rising anti-Asian sentiment at home, Foreign Minister Alexander Downer said Friday.

Mr. Downer is on a two-day official visit to Thailand to meet the 12-nation grouping called the Friends of Cambodia and other countries trying to mediate the Cambodian conflict on behalf of Southeast Asian nations.

The visit comes in the wake of a strong showing by the anti-Asian One Nation party of Pauline Hanson last Saturday in a Queensland state election. Mr. Downer said, "We are committed to Australia being a strong contributor to Asia as we have been for past several years." (AP)

Chinese Group Appeals to Clinton

BEIJING — Chinese dissidents appealed Friday to President Bill Clinton to push for greater freedoms during his visit to China next week.

A group of 57 dissidents, in a fax to foreign news agencies, urged Mr. Clinton to meet their Beijing-based representative, Xu Wenli, after his meeting with President Jiang Zemin.

If Mr. Clinton does not meet with Mr. Xu, his visit will be only a diplomatic coup for the Chinese government and do nothing to promote democracy, said the letter signed by dissidents from 14 cities and provinces. (AP)

U.S. Eases Airspace Restrictions

WASHINGTON — The United States reluctantly has changed its airspace restrictions to allow Cuban jetliners to fly over the eastern United States en route to Canada, starting Friday.

While U.S. planes have long flown over Cuba on their way to the Caribbean and South America, U.S. officials have denied almost all reciprocal rights to and from the Communist nation since the 1960s, citing national security concerns. As a result, Russian-made Air Cubana jets have flown a circuitous route to Canada just off the East Coast.

The administration agreed to a relaxation this week after it became apparent the United States would lose a complaint Cuban officials filed in 1996 with the United Nations' civil aviation arm, said a State Department official, who spoke on condition of anonymity. (AP)

Sudan Reports Eritrean Attack

KHARTOUM — Sudanese armed forces repelled an Eritrean attack on seven Sudanese border positions, causing heavy Eritrean casualties, Sudan's armed forces general command said Friday.

In a statement broadcast on public radio, the general command said Sudanese forces had shelled unspecified border positions early Thursday to push back what they said were Eritrean's continuing "aggressive acts against Sudan."

Eritrean troops penetrated Sudanese territory in response to the attack but they were driven back, the statement said, adding that several Eritrean soldiers were killed during the clash.

The daily Akhbar al Youm published a report from Kassala in eastern Sudan saying Eritrean and Sudanese opposition forces had Thursday shelled nine "densely populated" villages, killing and wounding an unspecified number of civilians, including children. (AP)

2 Koreas to Discuss Joint Festival

SEOUL — South Korea's Unification Ministry on Friday gave the go-ahead for discussions with North Korea on a joint festival proposed by Pyongyang earlier this week.

A spokesman quoted Unification Minister Kang In Duk as telling reporters the government had decided to pursue Pyongyang's proposal for holding the festival in the border village of Panmunjom. It would be the first time the two countries organized a joint event of this kind.

"The government will propose to North Korea next week on holding civilian-based talks for the festival," he said. "The government deemed that this proposal did not contain a political purpose and decided to approve it." (Reuters)

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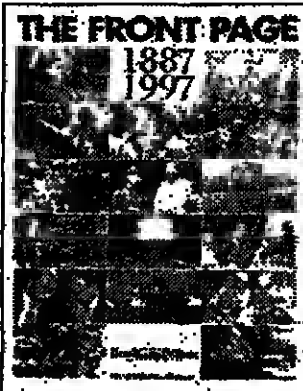


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ARTS



René Magritte (1898-1967) *Le Jeune Homme à la Barbe* (The Young Man with the Beard), oil on canvas, 20" x 33" (51 x 84 cm), painted in 1963. Estimate: £110,000-150,000 (US\$180,000-250,000)

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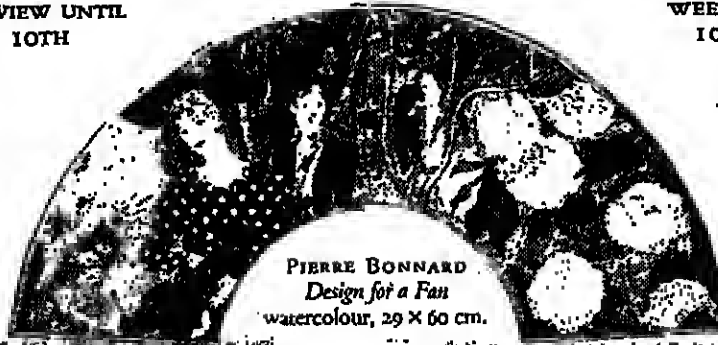
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The Associated Press.

12 Month High Low Stock Div Yld PE 100 High Low/Latest Change

12 Month High	12 Month Low	Stock	Div	Yld	PE	100 High	100 Low/Latest	Change
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EUROPE

Astra to Buy Merck's Half of U.S. Venture

Compiled by Staff from Dispatches

STOCKHOLM—Astra AB said Friday it would buy Merck & Co.'s half of its U.S. sales venture for at least \$4.4 billion, paying the way for Sweden's biggest drugmaker to become a public company.

The buyout extricates Astra from a requirement to sell its products in the United States through Merck. Astra makes Pilsoset, an ulcer treatment that is the world's best-selling prescription drug. Analysts say the arrangement crimps the Swedish company's profit in the world's biggest drug market.

"It is really good for Merck," said Nigel Keegan, an analyst with Daiwa Europe. "It is something Astra had to do. They have got to merge with somebody."

The companies said that the business of Astra Merck Inc. would be

combined with Astra's wholly owned subsidiary Astra USA Inc. in a new U.S. limited partnership, named Astra Pharmaceuticals LP, over which Astra will have management control as the general partner.

Astra said the transaction would give it cost savings of \$100 million per year by 2000 and increase earnings beginning that year.

Merck, maker of the cholesterol drugs Zocor and Mevacor, will receive revenue for at least 10 years based on Astra's current and future U.S. product sales. Merck agreed last month to sell its stake in a venture with DuPont Co. for \$2.6 billion, giving it cash to expand.

If Astra does merge or is acquired, Merck will continue to receive revenue under the agreement. Merck also would have the right to new Astra products after any merger, or

could instead receive from \$675 million to \$1.5 billion, Astra said.

Merck said it expected the transaction to yield more revenue and income than it would have received under the joint venture.

The cash buyout will be based on a multiple of the prior three-year average of pretax income received by Merck for all products except Pilsoset and periprazole, another ulcer drug, but will be no less than \$4.4 billion in 2008. Also, Astra will loan Merck \$1.4 billion in cash at the end of the restructuring, scheduled for July 1.

The drug industry has seen a wave of consolidation in recent years as companies seek to maintain profits in the face of cost-cutting by government and private health insurers.

Astra's chief executive, Haakon

Mogren, said three months ago the company was looking for a merger partner of a similar size, such as Zeneca Group PLC, Schering-Plough Corp. or Bayer AG.

Analysts say a U.S. partner is more likely, since Astra needs to bolster its presence in the United States, where drug sales are 38 percent of the worldwide total.

Astra Merck was formed in November 1994, when Astra paid \$820 million to reclaim half of the rights to sell its drugs in the United States. Merck had acquired those rights for \$60 million in 1982, just as Pilsoset was coming to market.

The announcement came as Swedish markets were closed for a national holiday. On Thursday, Astra A shares closed in Stockholm at 161.50 kronor (\$20.46), down 1.5.

(Bloomberg, Reuters)

Duisenberg Vows a Euro Solid as Mark

Agence France-Presse

BONN—Europe's new chief central banker, Wim Duisenberg, pledged Friday that the euro would build on the success of the mark as he spoke at a ceremony for the 50th anniversary of the German currency.

"It is certainly not an easy task to make the euro a currency as stable and respected worldwide as the Deutsche mark," Mr. Duisenberg said at Bonn's History Museum, which is running a show tracing the history of the mark since its creation June 20, 1948.

Mr. Duisenberg said the executive of the European Central Bank, of which he is the first president, would "do all we can to reach this goal."

The German finance minister, Theo Waigel, praised Mr. Duisenberg's making his speech in German as a sign that "the euro speaks German," an apparent reference to uneasiness in Germany over giving up a postwar money that has stood for prosperity and sovereignty.

On its anniversary, the Deutsche mark is "showing its best side," said Hans Tietmeyer, the president of the Bundesbank.

"Monetary stability has been widely achieved," he said. "There are no immediate dangers."

The anniversary celebrations come at an uneasy time. Germans have made no secret of their reluctance to drop the mark for the euro, which they see as synonymous with inflation, unemployment and loss of buying power.

It was only as recently as May 15 that the proportion of Germans rejecting the euro fell below 50 percent, according to a poll by the economic daily Handelsblatt.

For this reason, ceremonies such as the one in the History Museum and one in a church in Frankfurt on Saturday, at which Chancellor Helmut Kohl is to speak, have a poignant feeling of an uncertain future taking over from a reassuring past.

Mr. Duisenberg stressed that the European bank would be consciously following in the footsteps of the Bundesbank.

And Mr. Waigel added: "Germany is not losing the Deutsche mark but gaining a stable currency of a huge domestic market. It is a good future for us for whom the success of the mark has smoothed the way."

Investor's Europe

Frankfurt DAX	London FTSE 100 Index	Paris CAC 40
5750	6250	4300
5400	6000	4000
5350	5750	3700
4700	5500	3400
4350	5000	3100
4000	4500	2800
3500	4000	2500
3000	3500	2200
2500	3000	1900
2000	2500	1600
1500	2000	1300
1000	1500	1000
500	1000	700
0	500	400

Source: Reuters

Very briefly:

- Banco Bilbao Vizcaya SA, Spain's second-largest bank, will spend \$350 million to buy a controlling stake in Chile's Banco BHF as it shifts its Latin American expansion to the southern part of the continent.
- Union Bank of Switzerland is considering selling PDFM Ltd., Britain's fifth-largest fund manager, as it reviews its businesses ahead of its merger with Swiss Bank Corp.
- LM Ericsson AB confirmed that it was in negotiations to buy mid-sized U.S. data-networking companies, joining other makers of telecommunications equipment that are seeking ties with networkers.
- Endesa SA, Spain's biggest power company, said it would not have to sell new shares to finance 1.2 trillion pesetas (\$7.92 billion) in investments planned for the next five years and would maintain "double-digit" growth in earnings per share.
- The Czech Republic's real gross domestic product contracted in the first quarter by 0.9 percent from the like period in 1997 as government austerity measures took effect.
- Sleepy Kids PLC, the company that produces the animated television series of the Duchess of York's children's book "Bridgie the Little Helicopter," said it was in talks to merge with another company that it did not identify after efforts to raise money failed. It reported a loss of £385,468 (\$645,273) for 1997, compared with a profit of £292,098 in the 14 months ended Dec. 31, 1996.
- Airbus Industrie will sell up to 76 single-aisle jets to Iberia Lineas Aereas de Espana SA, Spain's largest airline, in what the European consortium said was its largest-ever order placed by a European carrier. No price was disclosed.
- Meteor Mobile Communications, an Irish-American consortium, won a bid for Ireland's third mobile-telephone license, the Office of the Director of Telecommunications Regulations said.
- South Africa's daily repurchase rate was raised 338 basis points, to 20.77 percent, as the central bank squeezed liquidity in the money markets.

Labor Attack Delays Sale of Ionian Bank

Compiled by Staff from Dispatches

ATHENS—Furious union members protesting the privatization of Ionian Bank of Greece SA disrupted a meeting called Friday to approve the bank's sale, breaking chairs, turning over tables and threatening officials.

The protesters forced board members of Ionian's state-controlled parent, Commercial Bank of Greece SA, out of the room where shareholders were meeting and threw the Greek government into an urgent effort to have the sale approved as planned.

A government spokesman, Dimitris Kappas, said the government was seeking court clearance for a resumption of the meeting and vowed that nothing would put Greece off course to overhaul its economy before joining the Economic and Monetary Union of European Union members.

"A small group of unionists is not going to reverse the government's course," he said. "Our prime target is to complete the policies that will lead to equal participation in EMU."

The privatization of Ionian is seen as a key element in the government's plans to prepare for joining



The chairman of Ionian Bank, Haris Stamatiopoulos, receiving help on Friday in escaping an assault by union members. The government vowed it would go ahead with the bank's privatization.

the Economic and Monetary Union in 2001.

Unionists have been striking against the privatization since May 11. Employees of state entities in Greece enjoy near lifelong job security.

Although the government has offered protection against job losses following privatization, the unionists are demanding additional guarantees on social welfare benefits.

Hundreds of union members attended the meeting Friday were angered by the refusal of bank of-

ficials to read and adopt a union statement on guarantees. The protesters stormed to the front of the meeting, sweeping papers and glasses off the podium, hurling chairs and overturning tables.

They broke a mirror and tore the suit of the Ionian bank chairman, Haris Stamatiopoulos. Union members also assaulted executives of Commercial Bank.

Bank officials were shoved out of the room, and witnesses said one bank employee had been slightly injured.

(Reuters, Bloomberg)

Talk of AT&T Link Lifts BT's Shares

Reuters

LONDON—British Telecommunications PLC's shares rose Friday on reports that an alliance with AT&T Corp. was in the works, but analysts said they doubted such a deal was imminent.

BT shares dropped from a high of 720 pence, to close at 700 (511.72), up 7 pence from Thursday.

BT and AT&T declined to comment on reports that the chief executives of the companies were seeking to create a joint venture involving their extensive international assets.

BT, whose trans-Atlantic strategy was derailed after its bid for MCI Communications Corp. was trumped last year, has said the United States remains a key pre-occupation and that it is in talks with potential partners.

But regulatory restrictions prevent BT from initiating any investment plans before the closure of MCI's proposed merger with its new partner, WorldCom Inc., which may not come before the end of the year.

AT&T is the biggest long-distance carrier in the United States, the world's biggest telecom market. Analysts said a distribution agreement or any wider deal could meet opposition from regulators.

Every competition authority would want to be involved if any joint venture were announced between the companies, analysts said.

WORLD STOCK MARKETS

Friday, June 19

Daily prices in local currencies

High Low Close Prev.

Amsterdam AEX Index: 1153.88

Previous: 1144.79

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ABN 42.00 41.00 40.20 40.20

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ASIA/PACIFIC

Asia Stocks
Stumble on
Yen Jitters

Compiled by Our Staff From Dispatches

Stocks stumbled Friday across Asia after strong gains the previous day, as investors turned their attention back to the long-term outlook for the yen and the region's economies.

Several major bourses closed lower as the impact of Tokyo and Washington's joint intervention Wednesday to support the yen wore off.

In Manila, shares slid 4.75 percent, with the PSE index closing at 1,741.71, while the Bangkok stock market's SET index fell 3.67 percent, to 284.32, as investors sold bank and finance stocks heavily.

Tokyo's key Nikkei 225 index ended down 0.61 percent, at 15,267.98. The market was rattled by speculation that Long-Term Credit Bank of Japan Ltd. might merge or was facing difficulties restructuring.

In Seoul, the Composite Index fell 3.76 percent, to 313.26, as investors considered a list of 55 companies that were singled out by government authorities as unviable on Thursday.

But Hong Kong's Hang Seng index closed up 0.89 percent, at 8,591.91.

Investors in the territory "are getting a little bit more confident that the worst of the yen may be behind," said Kent Rossiter, institutional sales manager at Nikko Securities in Hong Kong.

Indonesia's benchmark stock index, the Jakarta Stock Exchange Composite Index, fell 3.3 percent, to 425.45, at the close despite an announcement that the government and the International Monetary Fund had agreed on a revised framework for the annual budget of the economically shattered nation.

Ginard Kartasmita, coordinating minister for the economy, finance and industry, said that Indonesia and the Fund would announce the terms of the budget next week.

(Reuters, AP, Bloomberg)

The Rise and Fall of a Malaysian Golden Boy

By T.H. Chan

Bloomberg News

KUALA LUMPUR — Twelve short months ago, Soh Chee Wee, a Malaysian politician and businessman, seemed untouchable.

He led a branch of Malaysia's second-largest political party and counted the party president's eldest son as his closest business partner. His corporate empire, including shipbuilding, power companies and stock brokerages, stretched from Kazakhstan to the Philippines and China.

Today, though, the one-time golden boy of Malaysia's stock market is under siege. His political allies have abandoned him and his grand business plans have unraveled. He is also under investigation by the country's securities regulators and at the center of articles that he pulled a gun on a former business partner.

In a crash like this, it is the so-called high-profile deal-makers who become the fall guys," Mr. Soh said in a phone interview.

Once one of Malaysia's most active stock market players, Mr. Soh says he is being made a scapegoat for the devastation in Malaysia's stock market, which has left its brokerage industry in shambles. Malaysia's key stock index has lost 73 percent in dollar terms in the last year.

"His meteoric rise was a reflection of how things went on in Malaysia," said Hinson Ng, senior portfolio manager at Credit Suisse Portfolio Management Ltd. in Singapore. "It was the story of Asia writ large."

The Soh case has also focused attention on Malaysia's securities involvement was limited to bringing buyers and sellers of stakes in the company together.

The investigation of the firm followed an inquiry by the Kuala Lumpur Stock Exchange in January, which asked all brokerages to detail the extent of their exposure to Mr. Soh's personal stock holdings.

"That really killed me," said Mr. Soh, whose debts are reported to top 1 billion ringgit (\$250 million). When the news got out, he said, "banks withdrew my credit lines."

"Everything was pulled out from me until it became a perverse exercise," he said.

Like many of his once high-flying peers, Mr. Soh has seen his fortunes plunge over the last year amid Malaysia's worst economic slump in 13 years and a stock market meltdown.

Mr. Soh said he had cooperated fully with the Securities Commission but is upset, saying he feels he is being singled out.

"There shouldn't be any attempt to cover anyone else's involvement at my expense," he said. "You have to look at the bigger issue like who regulators, who, after years of being criticized for being ineffectual, are under pressure to stamp out market manipulation and reassert corporate governance in the stock market."

The Securities Commission is investigating whether Mr. Soh used nominees to gain control of Omega Securities, violating a Malaysian law that forbids anyone from owning more than one brokerage without government approval.

Mr. Soh controls Halim Securities through Uniphonix Corporation Bhd. and runs Alor Star Securities through Kelanamas Industries Bhd., of which he is managing director. Halim has halted trading activities, and trading curbs have been imposed on Alor Star.

Mr. Soh denies owning any shares in Omega, saying that his

banks might make the "long-overdue reform of the state banks that much more costly and difficult" by crowding their remaining profit sources. "It also further reduces the credit strength of the large banks, already seriously undermined by overwhelming amounts of long-delinquent loans," Moody's said.

China's protected banking system has so far allowed the country to avoid much of the financial turmoil suffered by many of its neighbors. But with payments overdue on some 25 percent of loans, China's banking system remains among the weakest in the region.

With China's growth at about 7 percent or less in the second quarter, the lowest quarterly figure since 1991, many companies are losing money, hurting the ability of banks to recover loans.

Moody's said the rise of new

banks might make the "long-overdue reform of the state banks that much more costly and difficult" by crowding their remaining profit sources. "It also further reduces the credit strength of the large banks, already seriously undermined by overwhelming amounts of long-delinquent loans," Moody's said.

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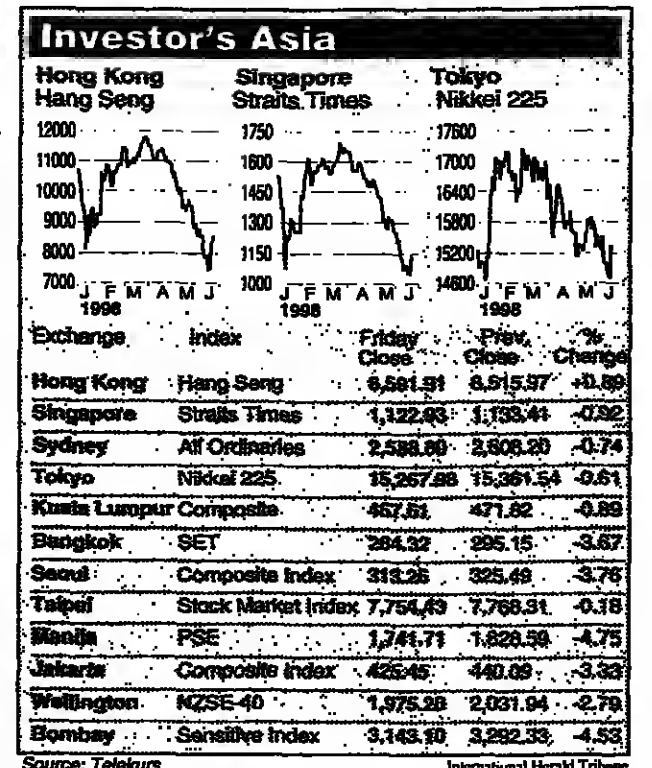
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Very briefly:

• Sharp Corp., the world's largest maker of liquid-crystal display screens, said it expected Japanese LCD-makers' domestic sales to be 10 percent greater than it previously estimated in the year through March 1999. Sharp raised its forecast to 1.1 billion yen (\$8 billion) from 1 trillion yen, up 22 percent from the year ended March 31.

• Sony Corp. plans to reduce output of static random-access memory chips by 90 percent this business year by halting production at a U.S. plant in Texas, Japan's Kyodo news agency reported.

• Philippine Airlines Inc., which is in a financial tailspin from mounting losses and a crippling pilots' strike, said its creditors have agreed to reschedule payments on \$2.1 billion in debt.

• The Tokyo Stock Exchange suspended trading in shares of Long-Term Credit Bank of Japan Ltd. after a downgrade by Moody's Investors Services Inc. sparked frantic selling. The exchange also halted trading of Nippon Credit Bank Ltd. following a report the government is considering merging it with Long-Term Credit Bank.

• Mitsubishi Motors Corp. had its credit rating lowered to double-B from triple-B by Standard & Poor's Corp., the rating service.

• Daiwa Securities Co. said it would place its subsidiaries in Germany, France, Italy and Bahrain under the control of its London-based subsidiary Daiwa Europe Ltd. by March.

• The U.S. trade representative, Charlene Barshefsky, held talks in Beijing with her Chinese counterparts in an effort to nudge China to improve its offer to enter the World Trade Organization, the U.S. Embassy said. Bloomberg, Reuters, AP

Moody's Calls Chinese Bank System 'Weak'

Bloomberg News

BEIJING — China's banking system remains "critically weak" with the financial crisis at the big four state-owned banks set to deepen as more nimble commercial rivals lure away their customers, Moody's Investors Service Inc. said Friday.

The U.S. credit-rating company said that poor statistics and corruption meant the true financial health of Chinese banks "remains impossible for anyone to measure accurately."

China's banking problems may soon be compounded by an interest rate cut that would reduce profit margins. Many companies are clamoring for a cut in lending rates to stimulate economic growth and prevent the kind of surge in unemployment that is wreaking havoc across much of Asia.

Moody's said the rise of new

banks might make the "long-overdue reform of the state banks that much more costly and difficult" by crowding their remaining profit sources. "It also further reduces the credit strength of the large banks, already seriously undermined by overwhelming amounts of long-delinquent loans," Moody's said.

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Seoul to Decide
Fate of 12 Banks

Bloomberg News

SEOUL — South Korea said Friday it would force several banks to merge or shut down early next month, aiming to fend off criticism that the government is backing away from its pledge to overhaul its crumbling financial system.

Twelve banks that failed to meet internationally accepted capital standards last year are being evaluated by the Financial Supervisory Commission to determine their future.

If restructuring plans submitted by the banks fail to pass muster, the commission said it would push them out of business in early July by transferring their assets and liabilities to rival banks or forcing mergers.

Banking reform is central to South Korea's bid to emerge from its first recession in 18 years. The government said last month it would have to write off 100 trillion won (about \$72 billion) of bad loans and take stakes in banks that cannot attract outside capital.

Also on Friday, President Kim Dae Jung ordered further corporate reforms to overhaul the country's companies.

JAPAN: No Quid Pro Quo for Intervention

Continued from Page 1

"Mr. Clinton has put the Treasury in a terrible position," she said. "The United States has delivered what it has to offer, but Japan has nothing new to offer."

Mr. Persaud said, "So long as the Bank of Japan has a bias to ease monetary policy and further lower interest rates, and so long as the Federal Reserve has a bias to tighten policy and ouge up interest rates, intervention to strengthen the yen is destined to fail."

The intervention Tuesday, after repeated assertions from Mr. Rubin that the yen's weakness was a problem that only the Japanese could resolve, drove the dollar down from an eight-year high of 146.78 yen to a low of 133.69 yen on Friday. The 9 percent loss in just four trading days humiliated traders who had been betting on continuing yen weakness.

That heavy loss plus the continued threat that central banks could continue to intervene will keep the yen from tumbling immediately, Mr. Persaud said. But by end-July he sees the dollar back up to 147 yen and then to 155 yen by September.

Ms. Malmgren predicted that on Monday markets would be disappointed at the absence of details on new Japanese initiatives to revive the economy but said that fear of intervention would

remain acute until Mr. Clinton had returned from his visit to China.

The risk of a devaluation by China — exacerbating tensions throughout Asia — will remain high, said Mr. Persaud, and will continue to destabilize markets.

"The earthquake we have seen running through global financial markets with its epicenter in the dollar/yen exchange rate will recur," he said. Morgan, he added, expects China to avoid a devaluation. "But the risks will rise sharply and will undermine Asian markets, all commodities markets and commodity-linked currencies such as the Australian dollar," he said.

■ Rubin Sees No Quick Solution

Mr. Rubin, in a CBS television interview to be aired Sunday, said he saw no quick fix for Asia's ailing economies, Bloomberg News reported Friday from Washington.

Asked about the outlook for Asia, Mr. Rubin said, "I don't think it's going to repair itself quickly."

He added: "It's going to take real time and it's not going to be easy because you're dealing with such fundamental issues in each of these economies and you're dealing with rebuilding confidence, and the difficulty is compounded by the fact that it's happening in more than one country at the same time."

Moody's Slashes India's Rating

Bloomberg News

NEW YORK — India's foreign-currency debt rating was cut two notches to "Ba2" Friday by Moody's Investors Service Inc., taking it from investment grade to junk.

The ratings outlook for the country is stable, Moody's said. India's government does not have any foreign currency-denominated bonds in its own name. That means the ratings cut will affect the credit of bonds issued by entities based in India that previously were rated higher than the revised country ceiling of "Ba2."

Economic sanctions imposed by the United States and other countries in the wake of India's nuclear tests "are likely to hamper efforts to overcome severe infrastructure constraints," Moody's said.

"These circumstances exacerbate concerns about whether growth of the economy and of exports can be sufficiently stimulated to reverse the recent weak performance of the external sector and government finances," said the ratings company.

Moody's also cut the country's foreign-currency ceiling for short-term debt to "Not Prime" from a "Prime-3" rating. In addition, a first-time rating of "Ba2/Not Prime" was assigned to the government's rupee-denominated debt.

Moody's said it had become more difficult for India

to redress its economic problems amid political divisions in the country. In turn, dwindling confidence among foreign investors has led to a withdrawal of capital from India in recent months for the first time since 1991.

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given for the Annual General Meeting of the Shareholders of Fidelity Far East Fund, a Société d'Investissement à Capital Variable organized under the laws of the Grand Duchy of Luxembourg ("Company"), will be held at the registered office of the Company, Kensall House, Place de l'Etoile, Luxembourg, at 11.00 a.m. on June 30, 1998, specifically, but without limitation, for the following purposes:

1. Presentation of the Report of the Board of Directors
2. Presentation of the Report of the Auditor
3. Approval of the balance sheet and income statement for the fiscal year ended February 28, 1998
4. Discharge of the Board of Directors and the Auditor
5. Election of five (5) Directors, specifically the re-election of Messrs. Edward C. Johnson, 3d, Barry R.J. Buzman, Charles A. Preece, Jean Hamill and Helmut Pries van den Hoven and the acknowledgment that the seat of Mr. Claudio T.M. Cullis remains vacant
6. Election of the Auditor, specifically the election of Coopers & Lybrand S.C. Luxembourg
7. Declaration of a cash dividend in respect of the fiscal year ended February 28, 1998
8. Any other business.

Approval of items 1 through 8 of the agenda will require the affirmative vote of a majority of the shares present or represented at the Meeting with no minimum number of shares present or represented in order for a quorum to be present.

Subject to the limitations imposed by the Articles of Incorporation of the Company with regard to ownership of shares which constitute in the aggregate more than three percent (3%) of the outstanding shares, each share is entitled to one vote. A Shareholder may act by proxy.

Dated: May 15, 1998
By order of the Board of Directors

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Deflated Hawaiian Real Estate Awaits Buyers at Pre-'90s Prices

By Miki Tanikawa

WHEN THE Japanese bubble economy expanded in the late 1980s, it took Hawaiian real estate with it, pricing local residents and mainland investors out of the market. Now the pendulum is swinging back across the Pacific, and American bargain-hunters are finding values in residential and vacation properties that have fallen to prices not seen in nearly a decade.

According to data compiled by the Honolulu Board of Realtors, an Oahu real-estate agents' association, median sales prices for single-family homes in Oahu have shed 21.6 percent of their values from the 1990 peak, while condominiums are down 27.5 percent from their pinnacles.

"Buyers who have been holding off have begun to buy," said Linda Mann, chairman of the Honolulu Board of Realtors. "Investors are feeling confident that those selling in the market are priced right."

While statistics show no evidence that the market has established a bottom, analysts said that an increase in transactions is a good sign that residential prices do not have much further to fall. For the past 11 months, trading in residential properties in Oahu has grown, compared with the level recorded a year earlier. Sales of single-family homes are up nearly 40 percent so far in 1998.

The Honolulu agents said the median sales price of an Oahu condo was \$135,000 in May, while a single-family home would go for \$295,000. At the height of the market in the first half of 1990, a condo went for \$179,000 and a house fetched \$339,000.

Those are averages for the island, where prices vary according to location, age and size. Harvey Shapiro, research chief at the Board of Realtors, said a "nice, two-bedroom condo near Waikiki" would cost \$200,000 to \$225,000. A three-bedroom house near Honolulu would cost \$350,000 to \$400,000, while one within a one-hour commute from the west side of the island would be \$250,000 to \$300,000, he said.



Source: Honolulu Board of Realtors Research Department

"The market is turning around," Mr. Shapiro said. "We are seeing that in the sales volume." He added that a rise in sales activity often precedes a price recovery.

Another classic pattern was observed by Michael Sklarz, director of research at Prudential Locations in Honolulu, who said properties in desirable locations such as Kahala Point and Diamond Head began to firm up first, before causing other areas to stabilize. He said expensive properties had posted the most biggest falls, losing as much as half their value from the market peak.

A luxurious three-bedroom Diamond

Head house, with a swimming pool and a spectacular ocean view, is now selling for \$4.2 million, but would have sold for \$6 million to \$8 million in the early 1990s, according to a property specialist at Coldwell Banker Pacific Properties. The specialist also cited the example of an oceanfront home in Kahala that sold for \$3.85 million in February, a dramatic fall from its price of \$12.25 million in 1988.

The revival is minuscule in comparison to the high-profile wave of Japanese investment in the late 1980s, driven at first by locals who had stayed on the sidelines. Now, however, mainland investors are

providing a new impetus, analysts said. Mainland investors are particularly active on the Big Island of Hawaii and Maui Island. Paul Brewbaker, vice president and senior economist at the Bank of Hawaii, said the new momentum delivered by the mainlanders could be sufficient to replace departing Japanese owners.

Mr. Sklarz said Hawaii represented "an excellent value for investors," especially for Americans looking for vacation homes and who have seen their stock-market investments appreciate. "Whatever equity they had three years ago has by now doubled," he noted.

Herbert Conley, managing director of Coldwell Banker, a major local res-

idential real estate agent, said, "Many people who did well in the equity side of investment are taking advantage of the current market to buy their dream homes or their move-up homes."

Another draw for American investors is low interest rates on mortgages. A 30-year fixed-rate mortgage with a 20 percent down payment can now be had for just over 7 percent, down from more than 10 percent in the early '90s. Adjustable-rate mortgages are available in the 6 percent range.

Mr. Conley advised investors to look at waterfront properties. "There will be more investors looking for those when selling," he said. Investments could range from a \$100,000 condo

in the Waikiki and Gold Coast areas to luxury properties in the millions.

Prospects for commercial real estate markets appear less certain. Andrew Friedlander, chief executive of Colliers Moore Friedlander, Hawaii's largest commercial real estate brokerage, said that prices for prime commercial properties would continue to fall because of sluggish business activities, reflecting a weak economy that he does not expect to improve soon.

Mr. Sklarz estimated that commercial properties had dropped 50 to 75 percent from their peaks. A Waikiki hotel that once fetched \$380 million recently sold for just \$40 million, Mr. Sklarz said.

In this distressed environment, American real estate investment trusts, or REITs, which are essentially mutual funds that invest in properties and mortgages, are raising their profiles in Hawaii. This is similar to the scene in Tokyo, where REITs hope to land deals with Japanese property owners who are struggling to tidy up their balance sheets.

"The vulture funds that are in Japan, many of them are here also," Mr. Friedlander said. "But our market is not as large."

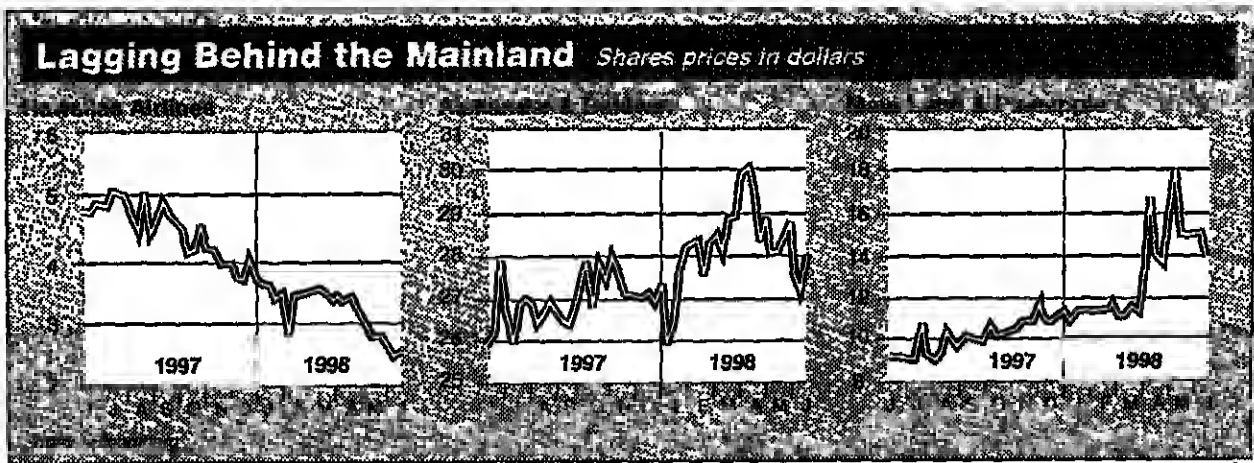
While some analysts said the arrival of the REITs was evidence that Hawaii's market was poised for a turnaround, others, including Mr. Friedlander, noted that Hawaii was merely a tiny piece — the last remaining one in the United States that is depreciating — that fits into a larger REIT program of expanding the industry's portfolio.

Also, the trading in the commercial domain is too thin to clearly determine the direction of the market, analysts said.

For investors on the residential side, on the other hand, growing trading activities are cause for comfort.

Sales are picking up because "prices have come down so much that people who thought they could never afford them can now buy," said Mr. Conley of Coldwell Banker.

For further information, call: CASTLE & COOK, 1 808 626 1133. The company offers selections in central Oahu areas such as Mililani, Pearl City and Waikiki. COLDWELL BANKER PACIFIC PROPERTIES, 1 808 596 0456. Specializes in luxury properties.



Asian Fallout Taints 'Silicon Paradise'

By Miki Tanikawa

THE ILL WIND emanating from the Japanese recession is blowing especially hard in Hawaii, where about the only good news for investors is that vacation property values have tumbled to levels not seen since the late 1980s.

But if you do not want to buy a condo in Hawaii, you probably do not want to buy anything. Hawaii's corporate sector has staggered under adverse economic conditions brought on by declining tourist spending and investments from Asia. Observers also blame Hawaii's inhospitable business environment, which, they said, often fails to reward entrepreneurial efforts.

Given the cyclical and structural issues facing the islands, few economists spoke of an immediate rebound, and analysts remain generally bearish on most Hawaii-based investments.

A dozen or so Hawaii-based companies trade on the New York Stock Exchange and Nasdaq, ranging from agricultural concerns to trading companies to relatively new technology companies. But they hold little interest for institutional investors such as Gregg Robertson, president of Cadinha & Co., an investment counsel firm based in Honolulu.

Mr. Robertson's company focuses on big companies that can offer profit growth in the 12-to-15 percent range.

"If you look at Hawaiian firms," he said, "you don't see such strong growth characteristics. We are forced, if you will, not to select any Hawaiian companies."

Part of the weak performance of the local companies, Mr. Robertson said, was a function of the economy, which Bank of Hawaii has predicted would not grow this year. The end of the Japanese investment bubble in the early 1990s and the loss during the Gulf War of a large military contingent in the Kaneohe Marine base, upon which a significant part of local retail business depended, "finished up the economy completely," he said.

Making matters worse is a drop in tourism, reflecting the Asian economic crisis. Tourism accounts for about 60 percent of Hawaii's jobs; the bulk of the tourists traditionally come from Japan.

Tourism revenue is expected to account for 27.8 percent of Hawaii's approximately \$33.8 billion gross state product this year, according to the World Travel & Tourism Council in London. The group said this was below the historical level of 32.2 percent, meaning

tourism revenue is falling in a stagnant economy. But the group expects a recovery in coming years, in part because of a new convention center near Waikiki.

The effects of the tourism slump are widespread. Hawaii's unemployment rate averaged 6.4 percent in 1997, well above the national rate of 4.9 percent. Investors who bought shares in Hawaiian Airlines in 1995, when it resumed trading after a 1993 bankruptcy protection filing, saw their stock fall from more than \$7 to Friday's price of \$2.60 as the carrier cut prices to lure mainland U.S. travelers.

Several years ago, Mr. Robertson's fund gave up positions in local banking companies, such as First Hawaiian Bank and Pacific Century Financial

pany has returned 9 percent over the past year, earning lukewarm hold recommendations from two analysts who follow it.

While exhibiting little growth potential, agricultural companies such as Mauna Loa Macadamia Partners L.P. and Maui Land & Pineapple Co. represent attractive values. Despite its rich cash position, with plenty of land holdings fit for development, Maui Land has lost its competitive strength to other fruit-growing countries, such as Cuba and the Philippines, because of soaring wages and shipping costs, said Colin Watanabe, branch manager at National Securities in Hawaii.

Mauna Loa Macadamia Partners, operator of macadamia orchards on the island of Hawaii, is another value play. Its book value is about \$8 a share, while the stock was trading at \$3.30 on Friday. To close that gap, the company has proposed to shareholders to merge with C. Brewer Homes Inc., a Hawaii company engaged in home building and land sales. The idea is to shelter Mauna Loa from such swing factors as falling nut prices, diseases and drought.

Aside from the economic trials, Hawaii finds itself in another bind. The Aloha State, known for its hospitality and inviting climate, often proves uninviting to aspiring industrialists who seek a regulation-free, low-cost business environment. This despite government efforts to lure high-tech start-ups to what it would like to be known as "Silicon Paradise."

The state government levies what is known as general excise tax, which applies to all transactions, from the product originator through to the consumer. Hawaii also imposes costly welfare requirements upon employers.

"It's an inhibiting factor that, in bad times, when people are trying to protect their profit margin, begins to show up," Mr. Robertson said.

The flight of Verifone Inc. from Hawaii serves as a telling example of the islands' problem. Verifone, developer of a credit-card readout system used in cash registers, led the world's electronic verification technology and traded on the Nasdaq market.

But the company migrated to Redwood City, California, to benefit from better access to broader labor pools, proximity to customers and vendors, and a general pro-business environment. Last year, it was acquired by Hewlett-Packard Co.

For further information:

BANK OF HAWAII offers information about Hawaii's economy at its Web site, www.boh.com

THE HAWAII TOURISM study is available on the Web at www.hawaii.gov/tourism

The Value of Reaping the Sea's Riches

With Algae Products, Cyanotech Profits From Hawaii's Marine Habitat

HAWAII'S BUSINESS environment is stifling these days, but there is at least one company that investors might find worth some analysis. It is Cyanotech Corp., one of the few companies that successfully leverages its location in Hawaii to compete internationally.

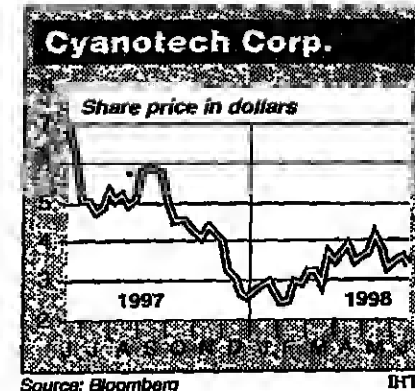
Cyanotech makes use of the island's gifts in mass farming microalgae, a marine biological organism whose extracts are used to make a range of natural products. Its flagship product is called Spirulina Pacifica, a nutritional supplement meant to provide increased energy and natural anti-oxidants.

While Spirulina is produced by other manufacturers, "Cyanotech is head and shoulders above others" in producing the substance, said Colin Watanabe, branch manager of National Securities Corp. in Honolulu.

Walter Ramsey, portfolio manager at Walrus Partners, which is based in Holliston, Massachusetts, concurred. This is born out, he said, by anecdotal evidence from consumers and the more tangible proof that Cyanotech can charge more per bottle than its competitors.

The company's geographic location in Hawaii accords it several unique advantages in producing algae-derived materials such as Spirulina. Mr. Watanabe said.

The tropical climate gives the



Source: Bloomberg

Hawaiian producer a consistent, year-round growing season. Cyanotech also provides a pristine environment for the cultivation of microalgae.

Value investors take note: The company's stock tumbled from \$4.375 in April to the current price of \$3.50 after its direct-marketing distributor in China, where Cyanotech had approximately 50 percent of its business, practically became unable to operate under a new local regulation.

Until then, Cyanotech's profit margin was a whopping "40 cents to the dollar," Mr. Ramsey said.

That is "the level it could return to," if the company is successful in its attempts to acquire new customers inside

and outside of China, he added.

The company also is betting on a newly commercialized product called astaxanthin. The material is a red pigment used primarily in the aquaculture industry to impart color to the flesh of pen-raised fish such as salmon and shrimp, raising the commercial value of the marine animals significantly. These fish acquire the red pigment naturally when growing wild but come out paler when raised in artificial environments.

An artificial version of astaxanthin is already successfully commercialized by Roche Holding AG, the Swiss pharmaceutical producer, which monopolizes what is estimated to be a \$150 million-a-year market.

Mr. Watanabe said the natural astaxanthin could potentially replace the synthetic version because it poses no health hazards and is absorbed more quickly by fish than the artificial one.

About 30 customers recently conducted field trials and all reported favorable results, Mr. Ramsey said.

Analysts said that Cyanotech stands to benefit enormously if the market opens in a country like Japan, where the aquaculture industry is expanding rapidly and where approval for natural astaxanthin from the health authorities is awaited.

— MIKI TANIKAWA

CYANOTECH's Web site is www.cyanotech.com

Knowing When to Close a Fat Fund

By Carole Gould

MUTUAL FUNDS are closing their doors to new investors at a record rate this year. But according to a report issued by the Kobren Insight Group, many more of them should be slamming their doors.

Kobren Insight, an investment management firm in Wellesley Hills, Massachusetts, lists 11 U.S. funds that it said should be closed to new investors.

The reasons cited in the report run the gamut from a fund's ability to maneuver quickly to over-diversification. What is surprising is the number of high-performance, high-profile funds that make the list, among them Janus Vanguard Windsor II, Fidelity Equity-Income and Mutual Discovery.

"Our research suggests that many funds have grown very large, and their size may begin to have an impact on their performance," said Edward R. Goldfarb, portfolio strategist for Kobren Insight.

"None of these are panic sells," he said, "but shareholders would benefit from sponsors closing the fund and focusing on maximizing the return on existing assets."

Fund companies are often loath to close even those funds that have swollen asset bases because the fees they receive are figured as a percentage of assets under management. The

larger the fund, the bigger the fund company's pay check.

Indeed, not one fund company plans to close a fund named Kobren Insight's list.

That is not to say that some of these funds are not still performing well. In fact, several are rated "strong buys" in Kobren Insight's investment newsletters. But given a good alternative, Mr. Goldfarb said, Kobren Insight will always recommend a smaller fund over one of these behemoths.

For example, Fidelity Equity-Income holds \$24.8 billion in assets as of May 31, but its performance remains strong and Kobren Insight rates it a "strong buy," its highest rating.

Nevertheless, Goldfarb recommends Warburg Pincus Growth and Income for investors looking for a solid growth and income offering.

Warburg Pincus holds less than \$1 billion, which gives manager Brian S. Posner, who used to manage Fidelity Equity-Income II, opportunities that the Fidelity fund is just too large to grab. The strategies are similar, although the Warburg fund is slightly more value-oriented than the Fidelity fund, Mr. Goldfarb said.

Kobren Insight rates these five big funds as "holds": Twentieth Century Ultra, Janus, Kaufmann Fund, PBHG Growth and Acorn.

Mr. Goldfarb also said investors should not scramble to buy shares if these funds announce they will close

to new investors. He added that there also was no point in dumping shares for investors who would face large tax bills on gains in the funds.

Some of the funds said size was not a problem. Twentieth Century Ultra, with a \$26 billion portfolio, for example, may become too large to move nimbly, Mr. Goldfarb said. The fund uses an earnings-momentum strategy that often requires quick trading in response to earnings disappointments or rejiggered forecasts.

Yet Gunnar Hughes, a spokesman for American Century, which runs Twentieth Century Ultra, said the fund had more good investment ideas now than the money to buy them.

The \$22 billion Janus fund is not only a giant in its own right, it also owns many of the same stocks as other Janus funds. In the aggregate, then, Janus managers may have trouble moving large blocks of stock without pushing up market prices, Mr. Goldfarb said.

Moreover, the \$14 billion Janus Worldwide is still accepting new investments, while Janus Overseas was closed at just \$4.3 billion earlier this year. At the time, Helen Young Hayes, who runs both funds, said she was concerned that significant cash coming into the fund would make her job more difficult. A Janus spokeswoman said the Worldwide fund could own U.S. stocks as well as foreign stocks, and that makes it easier to maneuver.

New York Times Service

BRIEFCASE

Asset Allocation in a GS Portfolio

The asset allocation of investing funds is a place your cash in the market, showing the results of the strategy.

An unusual strategy is the one used by the G.S. Asset Allocation fund, which is a public fund of New York City.

The two objectives of the fund are to provide a diversified portfolio of investments in the U.S. and foreign markets.

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THE MONEY REPORT

BRIEF CASE

Asset Allocation in a G3 Portfolio

The asset-allocation school of investing holds that if you place your cash in the right amounts in the right categories, above-average returns will follow.

An unusual variation on this strategy is employed by Oswaldo Costa, who runs Republic Bank of New York's G3 Asset Allocation funds. The two offshore, dollar-denominated funds invest only in the so-called Group of Three industrialized nations: the United States, Germany and Japan. The funds are identical except for their exposures to currency fluctuations: The G3 portfolio is subject to swings in the Deutsche mark and the yen against the dollar, while the G3H is hedged against changes in those currencies.

Mr. Costa first buys investment-grade U.S. corporate bonds, which act as the fund's foundation and produce income to invest. Then a computer model takes over, setting allocations among the stocks and bonds of the three countries according to a proprietary formula that takes into account real interest rates, and rebalancing the portfolio every three months. The allocations are fulfilled by purchasing forward contracts on stock-market indexes and engaging in interest-rate swaps as proxies for bonds. The Standard & Poor's 500 stock index is used for the United States, the DAX is the surrogate for the German market, and the TOPIX follows the broad Tokyo Stock Exchange index.

Over the 12 months ending June 3, the G3 fund returned 22.33 percent, making it the third-best performer of 93 funds in the offshore, global-balanced category followed by Lipper Analytical Services. The G3H Currency Hedged fund was fifth, up 20.21 percent.

"What the program does is keep us out of trouble," said Mr. Costa, noting that it would have had only 3 percent in the U.S. market prior to the 1987 collapse and has been completely out of Japan four times.

What does the model say now? In its most recent reallocation on April 30, the U.S. stock component contracted to 25.32 percent from 30.10 percent at the end of January.

"That's significant because it's been over 30 percent for some time," said Mr. Costa. Bonds looked more promising for both Germany and the United States, whose allocations rose over the previous period to 16.67 percent and 32.34 percent, respectively.

The most startling news regarding Japan. After avoiding what beleaguered market since September 1996, the model sneaked back in at the end of January. Currently, it is up to 16.17 percent for equities and 17.85 percent for bonds. Mr. Costa remains confident.

"Perhaps it's a bit premature, but you can't always catch the bottom of a market," he said.

(IHT) FOR INFORMATION ABOUT THE FUNDS, contact your broker or call 1-800-855-8879. U.S. investors who qualify for private placements call 1-212-525-8879.

Matching Investors With Green Stocks

Although the track record of environmental investing is mixed, there seems to be a fair amount of investor interest in the field. As industrialization spreads and cities become crowded, ecological concerns will create an opening for those companies that can produce efficient environmental technologies.

A group called the Environmental Capital Network, part of the nonprofit Center for Environmental Policy, Economics and Science in Ann Arbor, Michigan, is trying to match investors with new or expanding companies on the field. It held a meeting in New York earlier this month to introduce investors to 16 selected companies. The companies are looking for relatively large amounts of cash — minimum investments range from \$10,000 to \$500,000 — but the ideas behind some of them are interesting for smaller investors as well.

Consider, for example, MPA Polymers Inc., one of the few companies working to recycle plastics from durable goods such as appliances, automobiles, electronics and sporting equipment, an area of increasing concern in recent years. The company said at least half the plastic products currently being made could be recycled using its technology. Most engineering products, it said, are more valuable than paper, wood, steel and aluminum —

all of which are recycled at much higher rates.

Donald Hichens of Coopers & Lybrand, one of the forum's sponsors, said "the key aspect of the plastic recycling business is there is a niche for this sort of recycling today." He said the combination of a market niche and "some specialization" was a formula for profitability.

MBA said that if it could capture 1 percent of the available plastics, its revenue would be more than \$100 million a year, if it sold the recycled goods at half the price of their virgin counterparts. The company, which has begun commercial production, had sales of about \$2.3 million last year.

Another recycling company is Water Recovery Systems Inc. of Wareham, Massachusetts. Its focus is directed toward the recovery, treatment and reuse of commercial and industrial waste waters, as well as reversing environmental contamination.

Prospective customers include institutional and commercial laundries, car washes, chemical, pulp and paper processors, pharmaceutical manufacturers and water suppliers. An attractive feature of this end of the water industry is that those kinds of customers need the treatment processes every day. The company's strategy, and the reason it is looking to raise funds, is to look for acquisitions in the industry, which currently is highly fragmented.

Airflow Catalyst Systems Inc. is seeking to commercialize a technology patented by the National Aeronautics and Space Administration. Its initial goal is to create a new generation of catalytic converters for automobiles, and it will target the used-car market. It estimated that this market was now worth \$500 million annually in the United States and was growing faster than 15 percent a year, a rate likely to increase as state and federal inspection rules are tightened. One risk, however, is that regulatory changes could work against the company as well as for it. (IHT)

None of these companies is publicly traded. Investors seeking information can contact:

- ENVIRONMENTAL CAPITAL NETWORK, 416 Longshore Drive, Ann Arbor, Michigan 48106. Tel: 734 996 8783. Web site: <http://ecnet.com>. E-mail: info@ecnet.com.
- WATER RECOVERY SYSTEMS INC., 2600 Chase Square, Wareham, Mass. 01956. Tel: 508 545 3040. Fax: 508 545 3161. E-mail: info@wrsinc.com.
- MBA POLYMERS INC., 500 West Ohio Ave., Richmond, California 94804. Tel: 925 731 9031. Fax: 925 731 0302. E-mail: info@mba.com.
- THE CENTER FOR ENVIRONMENTAL POLICY, ECONOMICS AND SCIENCE, 2600 Chase Square, Wareham, Mass. 01956. Tel: 508 545 3040. Fax: 508 545 3161. E-mail: info@ceps.com.

Good-bye and Hello At Third Avenue

Martin Whitman will close his flagship mutual fund, Third Avenue Value, to new investors effective July 15. Mr. Whitman's chief concern is the fund's huge cash position, which accounts for about 30 percent of its \$1.82 billion in assets, a company spokeswoman said.

Mr. Whitman also announced plans to open a real estate value fund this autumn. The fund, which would invest in real estate and related companies, will be co-managed by Mr. Whitman and a real estate analyst at his firm.

It is an asset class with which Mr. Whitman has some familiarity. About 15 percent of Third Avenue Value's assets is invested in real estate, as is 25 percent of the Third Avenue Small-Cap Value fund. (NYT)

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Hold the Baloney: Serving Up Some Cash Investments

MIND IF I GO downstairs and get a baloney sandwich?" asks Bruce Bent, the man who invented the money-market fund.

"Uh, sure," I say, putting down my notebook. I'm not going to deprive a guy of lunch, especially at 3:30 in the afternoon.

Mr. Bent returns with chicken on white bread. No baloney — which, in fact, might be a good motto for the empire that Mr. Bent and his son, the ponytailed "Bruce Two" (as he introduces himself) have built. From their unfashionable West Side offices in Manhattan, they manage the Reserve Funds, with \$4.6 billion in assets in 16 separate money funds.

I was visiting Mr. Bent for three reasons. First, the \$85 taxable U.S. money-market funds this month will reach an important milestone: \$1 trillion in assets, up from \$500 billion in 1994 and \$45 billion 20 years ago.

Second, this is an anniversary. It was 30 years ago that Mr. Bent conjured up his money-fund vision. One of the great democratizing developments in finance, it has allowed small investors to reap roughly the same short-term returns as the very rich.

Third, and most important, I had become interested in what the financial world calls cash: short-term interest-bearing investments, including money funds, Treasury bills, bank certificates of deposit and savings accounts.

No, the Dow's 207-point decline on Monday did not spook me. Cash is never a substitute for stocks as a long-term investment. But now is a good time to review your portfolio. Mr. Bent is right when he says "everyone should have 10 percent in cash at any time" for emergencies and opportunities. "I don't care what the market is going to do," he said. "Unless you are a total

maniac, you have to have some cash."

Right now, cash is extremely attractive in the United States. In fact, it is a screaming bargain.

On Monday, the Treasury auctioned bills maturing in three months. The yield: 5.1 percent. Six-month bills went for 5.3 percent. Currently, the consumer-price-index inflation rate is 1.4 percent and the gross domestic product deflator, which is probably a better gauge of price increases, is rising at just 1.0 percent. But, even if you use the

JAMES GLASSMAN ON INVESTING

higher figure, three-month T-bills are now paying inflation-adjusted interest of a hefty 3.7 percent a year.

By contrast, in his book "Stocks for the Long Run," Jeremy Siegel of the Wharton School at the University of Pennsylvania reports that the average real T-bill rate over the past 50 years has been 0.5 percent.

Around the T-bill rate revolve all the other short-term rates in the universe of cash instruments. For example, plain-vanilla U.S. money-market funds last week were yielding an average of 4.9 percent, according to IBC Financial Data of Ashland, Massachusetts. The top-yielding fund of the 237 surveyed, Strong Step 1, was paying 5.7 percent.

Meanwhile, U.S. banks are paying an average of 2.5 percent on their money-market accounts and 4.6 percent on six-month CDs.

Money-market funds are more complicated cash holdings than bank accounts, certificates of deposit or Treasury bills. They are structured like normal mutual funds — dozens of investments contained in a portfolio

that is owned by investors who buy shares.

Standard funds can invest in practically any debt instrument that matures in less than 12 months, including commercial paper, which is a loan that a large corporation issues by itself; bank letters of credit; foreign bank debt, and even derivatives, which are investments whose value is "derived" from something else, such as a benchmark interest rate or the value of a currency.

Other kinds of funds are built from short-term government borrowings, such as Treas-

paying higher interest rates" than people could make on savings accounts, which were then limited, by the Federal Reserve's Regulation Q, to 5.25 percent. Meanwhile, Treasury notes that were maturing in three years were yielding more than 7 percent.

At first, he tried to find a state-chartered bank that would be exempt from Reg Q. When that proved impossible, he thought: "A mutual fund! Why don't we try a mutual fund?" He checked the law, and found that mutual funds could indeed own short-term debt instruments. But it was not until 1972 that he got his fund off the ground. In a few years, interest rates had fallen and money-market funds had fallen out of popularity.

"They stayed there," Mr. Bent said, "until the economy, with my patron saint Jimmy Carter's help, went to hell." Interest rates went to 20 percent, and the assets of taxable money funds soared from \$4 billion in 1977 to \$182 billion in 1981. The next year, Reg Q was abolished, and banks could raise their rates and compete, but the money fund had become an established fact.

Mr. Bent sees a bright future: "I think it's just the beginning. It's a more efficient way of banking." Reserve, like other funds, offers free checking, debit cards with rebates, monthly statements and other bank services. "The more banks consolidate," Mr. Bent said, "the more they act as though people are a nuisance to them. We've been a branchless bank for 30 years." No haloney.

Washington Post Service

For further information, call:

- RESERVE PRIMARY FUND, 1-212-577-9982, or toll-free in the United States, 1-800-637-1700.
- STRONG STEP 1, 1-212-850-1864, or toll-free in the United States, 1-800-221-2783.

For Regent Pacific, Good Times in Hong Kong

ONE OF HONG KONG'S few listed fund managers, Regent Pacific Group Ltd., which was featured in The Money Report on Feb. 28, has turned in impressive results for its first full year as a listed company, with net earnings up 139 percent and no net bank borrowing in the year ended March 31. Funds under management, including the company's own investments, rose by 9 percent.

Long bearish on Hong Kong, Regent's hedge funds probably made a bundle out of the collapse in the local stock market last October, and they may have done so again in the past week when Hong Kong's market hit a three-year low. The result comes even as Regent's favorite markets — those of the former Soviet Union — have taken a beating.

The company said it had partially hedged against the fall in the Russian stock market this year but was still hurt. "The balance of

our business — which shifted out of Asia into Eastern Europe two years ago — is now redressing, and we look for eventual equilibrium in the two," said Jim Mellon, the chairman. "Additionally, we keep a weather eye out for opportunities in Latin America and in the Middle East and Africa."

Regent owns 350 apartments in Jakarta at a cost of \$13,300 each, purchased as that city's economy melted down, and it said last week it was close to buying stakes worth a total of \$10 million in three Indonesian companies, on the theory that Indonesia will be the first Asian country to recover from the crisis.

Regent's historic price-earnings ratio is now 4.2 times, and its dividend yield stood at 11 percent on the day it announced its earnings.

Since the Money Report article in February, the stock has risen to 2.80 Hong Kong dollars (36 cents) a share from 2.35 dollars, a gain of about 10 percent, albeit with a high degree of

volatility. But that result looks solid if you compare it to the Hang Seng index, which is down about 25 percent over the period.

One problem with investing in the company's shares is that they are denominated in Hong Kong dollars, a currency that Regent itself has sold short because it thinks a devaluation of as much as 30 percent is bound to happen within 18 months. If you agree with this gloomy bet, there is an alternative: Since April, Regent has had a secondary listing in Frankfurt.

— PHILIP SEGAL

REGENT PACIFIC trades in Hong Kong under the ticker symbol 575 and as RFG in Frankfurt. Its Web site is www.regent-pac.com. The Feb. 28 Money Report article, "Investing in Investors While You Still Can," is available on the International Herald Tribune's Web site at www.ihf.com/INT/MONEY/022898/my022898.html



Correction

A photo in the June 6-7 Money Report was misidentified as that of Anthony Boeckh, editor of the Bank Credit Analyst. The correct photo of Mr. Boeckh appears above.

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SEI US Divd Brazil Fund	11.00	US DIVD BRAZIL FUND INC 100% EQUITY	11.00	Pfizer Inc	11.00	PFIZER INC
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WORLD ROUNDUP

Kournikova Injured

TENNIS Anna Kournikova withdrew from the grass-court tournament in Eastbourne, England, on Friday, a day after injuring her thumb in a victory over Steffi Graf.

Kournikova, a Wimbledon semifinalist last year, beat Graf, 6-7 (4-7), 6-3, 6-4, Thursday but fell during the match and injured her right thumb.

"I'm going to do everything possible to be ready to play at Wimbledon," Kournikova said. "I'll be in treatment for 24 hours a day."

The 17-year-old Russian said X-rays had shown there were no problems but, as a precaution, she withdrew from a doubles quarterfinal Thursday evening and the singles semifinal Friday against Arantxa Sanchez Vicario.

Sanchez Vicario, seeded No. 3, beat Serena Williams in three sets Friday to reach the semifinals. When Kournikova withdrew, Sanchez Vicario advanced to the final Saturday against Jana Novotna, the No. 1 seed. (AP)

Bjorkman Beats Prinosil

TENNIS Jonas Bjorkman of Sweden, seeded No. 2, survived his toughest test at the Nottingham Open on Friday, beating David Prinosil of Germany, 7-6, 6-3, to earn a semifinal berth.

Bjorkman began the quarterfinal at a blistering pace, dropping only two points in his first four service games, but he stuttered when serving for the first set and was eventually broken after a fine passing shot by Prinosil. Bjorkman won the set on a tiebreaker and comfortably won the second after breaking Prinosil in the eighth game.

He now faces a semifinal and possible final Saturday, just two days before the start of the Wimbledon championships.

Jerome Golmard of France ended Scott Draper's winning run of eight matches, when he beat the Australian, 6-4, 6-3, in their quarterfinal. Byron Black of Zimbabwe beat Giuliana Pozzi of Italy, 7-5, 6-2, and Sargis Sargsian ousted Brett Steven of New Zealand, 7-6, 6-2. (Reuters)

Senior Sets Course Record

GOLF Bruce Summerhays shot a course-record 7-under-par 65 Thursday for a share of the first round lead in the Canada Senior Open in Calgary, Alberta.

He had seven birdies in a bogey-free round on the Glencoe course.

Tom Jenkins also opened with a 65, closing with a birdie on No. 18 after a long delay because of rain and lightning. (AP)

Stewart Charges Ahead at Open

By Clifton Brown
New York Times Service

SAN FRANCISCO — On a day when it was difficult to birdie any holes, Payne Stewart did some special things in the first round of the U.S. Open: He birdied the final three holes.

He also made just one bogey on the picturesque but lethal Lake course Thursday at the Olympic Club, a place that left many competitors complaining, cursing and putting some strange numbers on their scorecards.

When the day had ended, Stewart was on top of his game and on top of the leader board. Shooting a well-earned 4-under-par 66, Stewart held a 1-stroke lead over the surprising Mark Carnevale. Tom Lehman and Joe Durant were in a tie for third at 68. Other prominent names like John Daly (69) and Jasper Parnevik (69) lurked within contention.

For Stewart, who has won two major championships, the 1999 PGA Championship and the 1991 U.S. Open, Thursday's round was a pleasant reminder that when at his best, he can play with anyone.

"I hit a lot of fairways, I hit greens and I was very patient," Stewart said. "That's what you have to be at the U.S. Open. There are basic fundamentals to this golf course. First of all, get it in the fairway. And when you don't get it in the fairway, don't be stupid. The worst thing you can do is to hit two consecutive balls in the fairway. Because if you do that, you're going to make double-bogey."

Stewart spoke the truth. Some of the game's greatest players were forced to struggle on some holes like weekend duffers. There were big numbers all over

the board, and some pre-tournament favorites such as David Duval (75), Ernie Els (75), and Davis Love (78) were in danger of missing the cut Friday. Stewart's playing partners, Curtis Strange (77) and Hale Irvin (80), both struggled as advertised, with the six-inch deep rough, narrow sloping fairways and small greens making every hole difficult. Heaven forbid if the wind starts to blow this weekend, because that will make the Olympic Club even more of a torture chamber.

For Stewart, playing steadily was a strong statement for someone who has

U.S. OPEN GOLF

not won an event on the PGA Tour since the 1995 Shell Houston Open.

There have been times during the past two years when Stewart has drawn more attention for his attitude than for his game, and it has been frustrating for him not to play at the level he did during the late 1980s and early '90s when he was one of the world's best. Yet for Stewart, 42, experience is now an asset, and he still has the ability to play at a high level.

Thursday was one of those days. Reaching the 16th tee at 1-under par, Stewart started his string of three consecutive birdies, a finish that may not be equaled all week.

At the par-5, 609-yard No. 16, Stewart hit a 9-iron approach shot to within 8 feet, then made the putt. Then he went to the par-4, 468-yard No. 17 — one of the toughest holes in golf — which is usually a par-5 for members. Stewart hit a driver, then a 2-iron shot that stopped 45 feet in front of the hole. Stewart lined up the long putt, hit it confidently and made

it. When the putt went in, Stewart shook his body as if he had been electrocuted.

"That reminded me of Hazeltine," Stewart said, referring to his victory at the 1991 U.S. Open.

At the 18th hole Thursday, Stewart closed his special round by making a 12-foot putt for birdie, pumping his fist as the crowd roared. Stewart got a fortunate break, because his tee shot landed in the rough, then his 8-iron approach shot hit a ridge on the green, but bounced right instead of bouncing left into more rough. "When you get breaks at the Open, you have to take advantage of them," Stewart said. "I did."

While Stewart's round was not a total shock, Carnevale's round was. Carnevale played on the Nike Tour last year, and his best PGA Tour finish this year is a tie for 41st place.

"I changed putters about a month and a half ago, and I gained confidence," Carnevale said.

Durant was the only player who reached 5 under par Thursday, but then he double-bogeyed No. 14. Danger lurked at every hole. Olympic features a brutal start. No. 3, No. 4 and No. 5 are ranked second, third and fourth. Get through that stretch, and you are still faced with the rough and the tiny greens. And Thursday's pin placements were difficult.

"It's scary," said Colin Montgomerie, who shot even par. "I couldn't see putting the pins in some of these positions. That's why the scores are so high. There was not one pin that was a gift."

But Thursday night, Stewart could rest more easily than most. He had one good day in the bank. And that was more than many others could say.



A dapper Payne Stewart chipping during the first round of the U.S. Open.

Cubs Crush Phillies, 12-5

The Associated Press

Brant Brown hit three home runs and drove in five runs, and Henry Rodriguez finally broke out of his hitting slump with a two-run homer as the Chicago Cubs beat the Philadelphia Phillies, 12-5, at Wrigley Field.

Jeremi Gonzalez (6-5) overcame a four-run, five-hit first inning in Thursday night's game. He allowed nine hits

and five runs in six innings, and went 3-for-3 with an RBI.

Martinez 3, Braves 2 Craig Counsell and Todd Zeile had run-scoring singles in the eighth inning, and Florida broke an 11-game road losing streak.

Diamondbacks 4, Reds 2 In Cincinnati, Brian Anderson (5-6), Arizona's first pick in the expansion draft, allowed only two hits over seven shutout innings and scored twice with aggressive baserunning.

Expos 7, Mets 6 In Montreal, Vladimir Guerrero homered, doubled, and scored twice, and Rondell White homered for the second straight game.

Cardinals 7, Astros 6 In Houston, Mark McGwire hit a 449-foot home run into the Astrodome's upper deck for his 33d this season, setting the major-league record for most homers hit through June.

Dodgers 5, Rockies 0 Eric Karros homered and drove in five runs, and Dave Mlicki pitched his second career shutout as visiting Los Angeles ended a four-game losing streak.

Padres 7, Giants 6 In San Francisco,

BASEBALL ROUNDUP

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Disabled Golfer's Dream Comes True

By Dave Anderson
New York Times Service

SAN FRANCISCO — Casey Martin parked his shiny green golf cart about 20 yards in front of the green on the 438-yard fourth hole at the Olympic Club, then limped up the slope and stared toward the rough that resembled hunches of broccoli on a produce stand.

"Is there a ball over here?" he asked.

Several people in his gallery pointed to the little blue flag marker near his ball, barely visible deep down in the broccoli. So deep that he had to chip out firmly, his ball sliding about five feet past the cup. Two putts. Bogey.

"Welcome to the U.S. Open," somebody in the gallery mumbled.

But on the 437-yard sixth hole, Martin rolled in a 20-foot putt for the first Open birdie for the first golfer to play in a U.S. Open while riding in a cart. He had a respectable 4-over-par 74 for the round, shooting an even-par 35 on the front nine.

About an hour before his midafternoon tee time, Martin emerged from the men's locker room, where he mingled with the best touring pros for the first time.

"It's hard to believe it's me sitting there talking to the great players of the world," he said.

Not all those other golfers supported Martin's being allowed to ride a cart.

"I've seen a few of those players that were outspoken," he said. "I'm not going to name names, but they didn't go out of their way to say 'Hi' or anything. But at the same time they didn't sneer at me either, so I'm not going to make a big issue of it. I'm just trying to enjoy the experience. Not get caught up in who said what or who is for me and who is against me."

Tom Watson, while offering compassion for Martin, was among those who feel the game should be played while walking. "I don't hold anything against him for having that angle," Martin said during a news conference Tuesday. "I don't agree with him, but at the same time it's not like I don't like the guy."

Martin acknowledged, however, that some golfers' comments have hurt as much as the circulatory ailment in his

LOCKER ROOM, WHERE HE MINGLED WITH THE BEST TOURING PROS FOR THE FIRST TIME.

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SCOREBOARD

BASEBALL

MAJOR LEAGUE STANDINGS			
AMERICAN LEAGUE			
EAST DIVISION			
New York	14	134	GB
Boston	12	130	14
Toronto	10	126	16
Cleveland	9	125	17
Chicago	8	124	18
Minnesota	7	123	19
Seattle	6	122	20
California	5	121	21
Atlanta	4	120	22
San Diego	3	119	23
Los Angeles	2	118	24
Pittsburgh	1	117	25
Philadelphia	0	116	26
Washington	0	115	27
St. Louis	0	114	28
San Francisco	0	113	29
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Arizona	0	111	31
San Jose	0	110	32
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WORLD CUP

Sunday, All Iranians Will Be Watching

Even Exiled Dissidents Hope for a Victory

By Rob Hughes
International Herald Tribune

LYON — Up to now, every match in this World Cup, even the England match marred by hooliganism outside the stadium, has been about winning, losing, refereeing and nothing else.

Sunday in Lyon will change that. Iran versus the United States is a game President Bill Clinton is prepared to couch in terms of reconciliation. It is for him, and

VANTAGE POINT

for Mohammed Khatami, the president of Iran, to determine how far they want to stretch the symbolism of sport in narrowing their country's ideological differences.

But Stade Gerland on Sunday night will assuredly place an invidious political stress on the 11 players chosen to represent Iran. In the audience, maybe even side by side, will be members of the Revolutionary Guards, Iran's most powerful military force, as well as exiled dissidents committed to the overthrow of the mullahs.

"I was always a sportsman first," swears Hassan Nayeb-Agha. "I played in the midfield when Iran was last at a World Cup, in 1978. I have a ticket for Lyon, and I will go with mixed emotions. Part of me wants to be a footballer again, but I cannot allow this moment to pass. I cannot risk the mullahs profiting from this match, without showing my resistance."

Speaking of the fundamentalists, he adds, "These people destroyed sport in my country, destroyed life."

He pauses. "Maybe you know that Habib Khahri, who was the captain of the team which reached the 1978 World Cup in Argentina, was executed by the Khomeini regime because he supported Mujahidin. I don't think you could know that three members of my own family were murdered for the same reason. I, too, was on the blacklist of the intelligence police, so with all the feelings I can appreciate the players of today must have, it isn't possible for me to go into that stadium and separate the sport and politics."

Nayeb took a doctorate in sociology in San Diego before seeking asylum in Paris, where he works today, at 47, as a

sports writer and a tutor to young Iranians. He is committed to soccer, but more so to the resistance.

It is an eerie experience talking soccer with Nayeb. He loves the sport deeply. He remembers how the euphoria of Argentina's capturing the 1978 title "even though Holland would not have lost that final anywhere in the world outside Buenos Aires" helped to liberate the people from military repression. And he is far from alone in thinking that Sunday night in Lyon could be a stepping stone on the purpose that consumes him.

Iranian resistance groups claim that all 3,000 tickets allocated by FIFA to Iran are in the hands of the Revolutionary Guards and their supporters. Nayeb believes that the Iran players in their luxury camp, a chateau in Yssingeaux, are prisoners policed night and day. "We," he said, still using the word of belonging, "have a good team, but how can the players express their talents when they are morally repressed?"

The view, Nayeb acknowledges, can be seen as propaganda. But when he, and apparently thousands of exiled Iranians who through the black market, through friends, and through perseverance on that interminable France Telecom ticket line, make their voices heard in Lyon, he appreciates he will add to the turbulence in players' minds.

Mahboobeh Soufari, another resistance member, will be at her first soccer game, and as close to her people as she has been able to get since the Islamic revolution in 1979. On first acquaintance, Soufari has that stern appearance of the political activist. She could not tell Khodadad Azizi, the Cologne player, from Karim Bagheri or Ali Daei, the two other potential Iranian match winners who also make their livings in Deutsche marks.

They have not, until this weekend, been central figures to her mission. "Every Iranian," she says, "wants the team to win. But the government, which killed a former captain of the national side and which stones women to death, should not be allowed to benefit from a football game."

But if Azizi scores, how will she react? That does it. Soufari's face lights up, rather like seeing a nun beneath her



The U.S. player Eric Wynalda, seated, talking about the match with Iran.

forbidding headress suddenly as a beautiful woman. "I want them to score!" she replies. "I am Iranian. I'm sure the emotion will show through."

Yes, Soufari can imagine herself punching the air. Yes, she can sense Hassan Nayeb-Agha's devotion to the game.

But primarily she is there, and he is there, to ensure that the anger of Iranians in exile is not glossed over by the jubilation that could possibly rise this Sunday.

The Iranians are not as good as the team in the last days of the shah, but are potentially quicker and more instinctive ball players than the Americans. What happens in the match, however, will be determined in the minds, in the marrow, of players who have to remain concentrated on the ball and forget the faces

in the crowd, many of which will be watching one another and not the play.

But sport is not a new phenomenon to Iran. Neither is the American conversion. Watching somewhere on a TV set will be Andre Agassi, a rather gifted tennis player, whose father, Mike, was an Iranian Olympic boxer four decades ago. Playing sport until it hurts ain't nothing new.

I think back to the words of coach Jalal Talebi. "Please," he implored, "don't make it too big for us. This is a game. A game."

Where has Talebi been this past 19 years? In America, serving the game that had once been shut down as a Western product of depravity in his homeland.

Rob Hughes is Sports Correspondent for The Times of London.

Paraguay Holds Spain To a Scoreless Draw

Goalkeepers Make It a Hard-Fought Duel

SAINT ETIENNE, France — Spain stood on the brink of first-round elimination from the World Cup after it was held to a 0-0 tie Friday by Paraguay.

The Spaniards, strongly favored to reach the quarterfinal at least, forced Paraguay's star goalkeeper, Jose Luis Chilavert, to make several top-class saves.

But Juan Pizzo, Luis Enrique and Raul Gonzalez couldn't find the target and Javier Clemente's team is in serious danger of going out in the opening round.

Having already lost 3-2 to Nigeria, the Spaniards have only one point but at least moved up to third above Bulgaria on goals scored.

The result meant that the Nigerians, who downed Bulgaria, 1-0, at Parc des Princes earlier Friday, clinched first place in Group D while the Paraguayans, who haven't seen a goal scored in two 0-0 ties, are best-placed to join them in round two.

Paraguay has two points and Bulgaria and Spain have one each while the Nigerians have already qualified for the second round after two victories.

Clemente made five changes after the 3-2 loss to Nigeria when his team twice lost the lead.

But Paraguay, which was held to a 0-0 tie by Bulgaria, created the first danger in the 15th minute when a low, 25-meter free kick by Miguel Angel Benitez got through the defensive wall.

The shot was confidently held by Spain's goalkeeper, Andoni Zubizarreta, who was fortunate to stay on the team after his blunder gifted Nigeria its second goal.

A chance fell to the Spanish striker Juan Pizzo in the 21st minute when the Paraguayan defense failed to clear a cross. The striker headed powerfully toward goal from 12 meters but Chilavert punched the ball acrobatically behind for a corner.

After Zubizarreta had punched away a powerfully-struck 25-meter shot from Benitez, Paraguay won a free kick 30 meters out and Chilavert, who has scored three times for his country, moved up to take a shot at goal.

His well-hit free kick hit the defensive wall and deflected to Francisco Arce whose 12-meter shot was deflected for a corner.

FIRST ROUND										
GROUP A						GROUP B				
W	T	L	GF	GA	Pts	W	T	L	GF	Pts
Brazil	2	0	5	1	6	Germany	1	0	2	3
Norway	0	2	0	2	2	Yugoslavia	1	0	1	3
Scotland	0	1	1	2	1	Iran	0	1	0	1
Morocco	0	1	1	2	1	United States	0	1	0	1
Brazil 2, Scotland 1						Yugoslavia 1, Iran 0				
Norway 2, Morocco 2						Germany 2, United States 0				
Brazil 1, Scotland 1										
Brazil 2, Norway 1						GROUP C				
Scotland 2, Morocco 0						W	T	L	GF	Pts
						England	1	0	0	3
						Romania	1	0	1	2
						Colombia	0	0	1	0
						Tunisia	0	0	1	0
						England 2, Tunisia 0				
						Romania 1, Colombia 0				
						GROUP D				
						W	T	L	GF	Pts
						Croatia	1	0	0	3
						Argentina	1	0	1	2
						Japan	0	0	1	0
						Cameroon	0	0	1	0
						Argentina 1, Japan 0				
						Croatia 2, Cameroon 1				
						GROUP E				
						W	T	L	GF	Pts
						France	1	0	0	3
						Denmark	1	0	1	2
						South Africa	0	1	1	1
						Sweden	0	2	0	2
						Denmark 1, South Africa 0				
						France 2, Sweden 1				
						GROUP F				
						W	T	L	GF	Pts
						Nigeria	2	0	0	6
						Paraguay	0	2	0	2
						Spain	0	1	1	1
						Bulgaria	0	1	1	1
						Bulgaria 2, Paraguay 0				
						GROUP G				
						W	T	L	GF	Pts
						Mexico	1	0	0	3
						Belgium	0	1	0	1
						Netherlands	0	1	0	1
						South Korea	0	0	1	0
						Mexico 2, South Korea 0				
						Belgium 1, Netherlands 0				
						GROUP H				
						W	T	L	GF	Pts
						Belgium vs. Mexico				
						Netherlands vs. South Korea				
						Belgium vs. South Korea				
						Netherlands vs. Mexico				

GAMBLE: European Basketball Has Grown, But U.S. Soccer Seems to Have Shriveled

Continued from Page 1

dropped off outside Parc des Princes by soccer moms between trips to the orthodoxist and the Eiffel Tower. Harmless, the German press said accurately after the match, too bored to waste ink on dismissiveness or contempt. No skills, no plan, no passion. Rather than America's faults or strengths of character, the team mirrored a void.

A headline in this newspaper on Thursday said, "Americans Take a Wordly View, Pragmatism Inspires Interest in Languages and Contacts," which argued that in spite of what people tend to assume, Americans are not turning their backs on the outside world.

But the fact is that if you start thinking of sports as a minor metaphor for the state of society, over the last decade it is European basketball and not American

soccer that has progressed vastly, hitting a vein of street culture and creativity that have actually brought a few shards of light to life.

Who's Mirsad Turkanovic? Or Radoslav Nesterovic? Or Vladimir Stepania for that matter? Sports Illustrated says they're three likely first-round picks from the Euro-league in the NBA draft. A German kid named Dirk Nowitzki supposedly amazed the unassuming Larry Bird. An American team member like Chris Deering sits on the bench in the German Bundesliga, but do you seriously see Juventus or Real Madrid pouring over scouting reports from Far Rockaway High?

Street ball now exists in Europe. In housing projects like La Castellane, where Zidane Zidane, one of the World Cup's most brilliant players, grew up on Marseille's mean north side, kids play almost as much ball these

days as soccer. There's no triumph of one sport over another here, but it does point to the incapacity of the American soccer establishment to find its way off the lawns and into the school yards.

What it looks like is that American soccer has grown in on itself, and in the process has virtually stopped growing at all. The very American U.S. team coach, Steve Sampson, has a kind of California-ish, Smothers Brothers look to him, which may go down great in the suburbs, but he is devoid of international soccer legitimacy. The sport's officials seem to talk only to themselves, and look ready to continue building the sport in their own bland, middlebrow image. We knew that it would take generations for America to produce soccer fligree, but there's no flash or even a flicker in the meantime.

Certain that I will be harshly judged in time for my careless confidence on

the German match, I choose to go over the top: Hire Eric Cantona, Manchester United's one-time French genius, whose excesses would fit America's continental scale, as the sport's national supremo. Let him bring craziness and beauty to the American soccer species, which now has none.

If Cantona's husky, get Paul Gascoigne, dismissed from the England squad for extra hard living but never a lack of brilliance.

In the meanwhile, the American team, which plays Iran on Sunday in Lyon, should pay no attention to this stuff from Bill Clinton about smoothing things out. It appears the president does not listen to French radio. It quoted Bruno Gollnisch, a leader of the racist National Front, saying Friday morning he would attend the match as the guest of the Iranian ambassador. Guess who he wants to win.

DENNIS THE MENACE

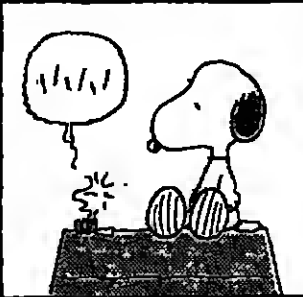


JUMBLE

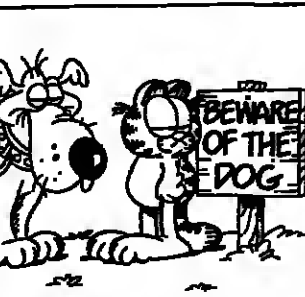


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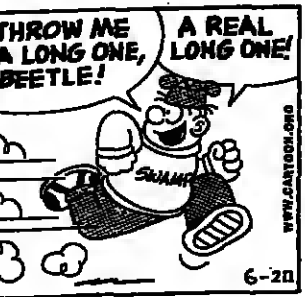
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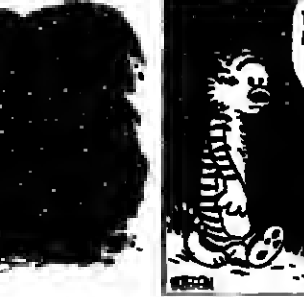
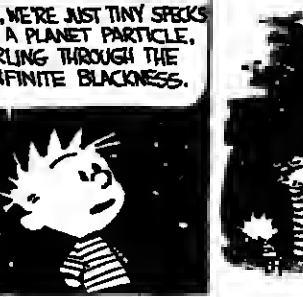
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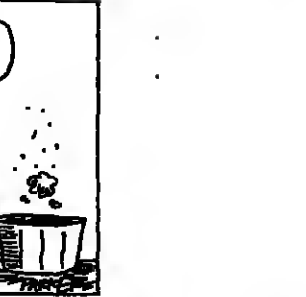
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Call Me in the Morning

MIAMI — I was lying on the sofa and watching my favorite TV show, "Whatever Is on TV When I'm Lying on the Sofa." I was in a good mood until the commercial came on. It showed an old man (and when I say "old man," I mean "a man who is maybe eight years older than I am") helping his grandson learn to ride a bicycle.

I was watching this, wondering what product was being advertised (Bicycles? Dietary fiber? Lucent?) and the announcer said: "Aren't there enough reasons in your life to talk to your doctor about Zocor?"

The announcer did not say what "Zocor" is. It sounds like the evil ruler of the Planet Wombax. I figure it's a medical drug, although I have no idea what it does.

And so, instead of enjoying my favorite TV show, I was lying there wondering if I should be talking to my doctor about Zocor. My doctor is named Curt, and the only time I go to his office is when I am experiencing a clear-cut medical symptom, such as an arrow sticking out of my head.

Television has become infested with commercials for drugs that we're supposed to ask our doctors about. Usually the announcer says something scary like, "If you're one of the 337 million people who suffer from paralytic distillation of the frenulum, ask your doctor about Varvacron. Do it now. Don't wait until you develop boils the size of fondue pots."

At that point, you're thinking, "Gosh, I better get some Varvacron!"

Then the announcer tells you the side effects.

"In some patients," he says, "Varvacron causes stomach discomfort and the growth of an extra hand coming out of the forehead. Do not use Varvacron if you are now taking, or have recently taken hands with anybody who is taking, Fladamol, Lavadi, Fromagil, Havadam, Lexavon, Gungadin or breath mints. Discontinue use if your eyeballs get way smaller. Pregnant women should not even be watching this commercial."

So basically, the message of these drug commercials is:

1. You need this drug.
2. This drug might kill you.
I realize that the drug companies, by running these commercials, are trying to make me an informed medical consumer. But I don't WANT to be an informed medical consumer. I liked it better when my only medical responsibility was to sock out my tongue. That was the health-care system I grew up under, which was called "The Dr. Mortimer Cohn Health Care System," named for my family doctor when I was growing up in Armonk, New York.

Under this system, if you got sick, your mom took you to see Dr. Cohn, and he looked at your throat, then he wrote out a prescription in a Secret Medical Code that neither you nor the CIA could understand. The only person who could understand it was Mr. DiGiacinto, who ran the Armonk Pharmacy, where you went to get some mystery pills and a half-gallon of Sealtest chocolate ice cream, which was a critical element of this health-care system. I would never have dreamed of talking to Dr. Cohn about Zocor or any other topic, because the longer you stayed in his office, the greater the danger that he might suddenly decide to give you a "booster shot."

We did have TV commercials for medical products back then, but these were non-scary, straightforward commercials that the layperson could understand. For example, there was one for a headache remedy that showed the interior of an actual cartoon of a human head, so you could see the three medical causes of headaches: a hammer, a spring and a lightning bolt. There was a commercial for Glem toothpaste with Gardol, which had strong medical benefits, as proved by the fact that when a baseball player threw a ball at the announcer's head, it (the ball) bounced off an Invisible Protective Shield. There was a commercial for a product called "Serutan." I was never sure what it did, but it was definitely effective, because the announcer came right out and stated — bear in mind that the Food and Drug Administration has never disputed this claim — that "Serutan" is "nature's" spelled backward.

You, the consumer, were not required to ask your doctor about any of these products. You just looked at the commercial and said, "A hammer! No wonder my head aches!" And none of these products had side effects, except Glem, which, in addition to deflecting baseballs, attracted the opposite sex.

Life was simpler then, as opposed to now, when watching TV sometimes makes me so nervous that I have to consume a certain medical product. I know it's effective, because it's "reeb" spelled backward.

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Bill Frisell Lets the Human Spirit Do the Work

By Mike Zwerin
International Herald Tribune

PARIS — Listening is not instinctive. We need to be reminded. We seem to be losing the habit. People pretend to listen. They assume the attitude of a listener, nodding in appropriate places. Or they do not even bother. There are many distractions. The television is on without sound. There's a record on the stereo. The phone rings. The conversation at the next table takes an interesting turn.

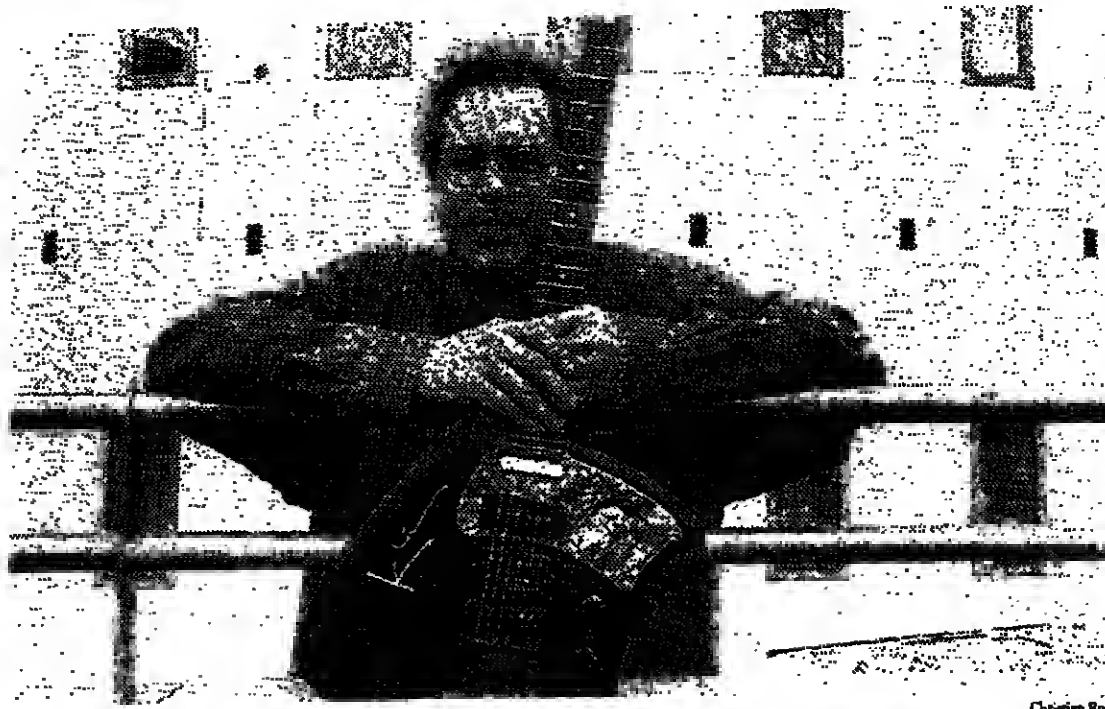
People formulate answers instead of concentrating on the questions. They remember jokes. (Self-improvement programs now include courses in listening.) It turns into a kind of "can you top this?" contest.

When it comes to musical conversation, a.k.a. collective improvisation, many musicians concentrate on their ego and their technique and make sure they are following the rules before attempting to converse. They show off, communicate to the audience more than to each other. It ends up as a string of monologues, not a conversation.

It is said that Duke Ellington gave only one word of advice to his musicians: "Listen!" Musical conversations are nonverbal. They are physical (blowing air into a tube, picking strings) and metaphorical at the same time. They require energy, concentration and spirituality. Collective improvisation involves a unique combination of soul, empathy and intuition.

These are Bill Frisell's axes. He did not have to learn intuition, and there are no textbooks on empathy. The New York Times has called Frisell: "The most significant and widely imitated guitarist to emerge in jazz since the beginning of the 1980s." He learned long ago that playing as loud as Jimi Hendrix or as fast as John McLaughlin were not his bags. He relies on an eccentric delivery, like a knuckle-baller. He lets the human spirit do the work.

Growing up in Denver, he played the clarinet in high school. After that



The jazz guitarist Bill Frisell relies on an eccentric delivery, like a knuckle-baller.

he picked up the electric guitar and became accustomed to going back and forth between acoustic chamber and electric rock music. Dynamic variety became his forte. He plays the electric guitar as though it were an acoustic instrument.

Frisell has found that meaningful musical conversations are rare. He remembers one with the British reedman John Surman. Surman, who looks like a friendly shaggy dog — with more of a bark than you might expect — remembers it too. "I like playing in duo," Surman says. "I like the clarity of a two-sided conversation. It's the easiest of all. Outside of a one-sided conversation, I suppose. But that can get a bit lonely."

It's something like two composers composing a two-part invention in real time. For Frisell it was "amazing — John and I would get so connected that sometimes we'd end up finding these unison melodies together. The audience would think we were

playing a composed piece." With his delicate detuning and maverick quotations, there is something of the mild-mannered mad-scientist about him.

His compositions have been described as "loopy," his playing as "eclectic." He has performed with Marianne Faithfull, Joe Lovano, Bela Fleck, John Zorn, Paul Motian, Don Byron, Charlie Haden, Elvis Costello and Carla Bley.

Pieces he wrote for Gary Larson's television special "Tales From the Far Side" are punctuated by detonations and wails. Frisell and Larson are friends and neighbors in Seattle. Some of the song titles are "Egg Radio," "Bob's Monsters" and "Deep in the Heart of Texas."

He has recorded his versions of various works by American composers — Aaron Copland's "Billy the Kid" and pieces by Charles Ives and John Philip Sousa. There is an album with Ginger Baker, once the drummer for Cream. He has covered songs by Stephen Foster

and Madonna. And his sound track for a Buster Keaton silent movie evokes the comedian's spirit.

While studying at the Berklee College of Music in Boston, Frisell learned about "avoid notes" — chords about which students are taught to avoid (the 13th with a minor seventh chord, for example) at all costs. Having something of an anarchist streak, he made it a point to play them as often as possible. He even tried to discover new ones in order to not avoid them either.

Such rules overlook such governing details as where the note comes from and goes to and how much time is spent on it. Splitting notes into two on a saxophone was to be avoided until John Coltrane made it an expressive tool. "Damn the rules," Coltrane said. "It's the feeling that counts."

Frisell's recently released trio recording "Gone, Just Like a Train" (Nonesuch) includes the Nashville bassist Viktor Krauss and the rock drummer Jim Keltner.

PEOPLE

THE 15-year-old heir to the British throne after his father Prince Charles, Prince William has made his first complaint about press intrusion. William objected to the Press Complaints Commission, an industry regulatory body, that a supplement devoted to him in the Mail on Sunday last week violated privacy guidelines. The supplement contained supposed details on William's girlfriends and suggested they were "vetted" by royal officials. The press commission said Friday that William's complaint had been "swiftly and amicably resolved," but gave no details of the resolution. Despite self-imposed guidelines urging restraint in the coverage of William and his 13-year-old brother, Harry, since the death of their mother, Diana, Princess of Wales, the press has shown continual if nonintrusive interest in the pair.

Frank Sinatra ensured that his will would not be contested by including a clause disinheriting anyone who challenged it. Family members have up to four months to dispute the late emerald singer's wishes, though his attorney, Andrew Garb, said the "no contest" clause should be a powerful deterrent to legal challenges. Sinatra died in May and left most of his assets to his wife and children. His will was admitted to probate on Thursday, and he left the bulk of his \$6 million to the family.

Jennifer Jason Leigh will replace Natasha Richardson in the Broadway revival of "Cabaret." Richardson won a

Tony Award this month for her role as the exotic English chanteuse Sally Bowles. She leaves the show Aug. 2, the day her husband, Liam Neeson, ends his Broadway run as Oscar Wilde in "The Judas Kiss." Leigh will take over on Aug. 4. It will be her first Broadway musical.

A man in Virginia was sentenced to two years in prison for faking his death three times to heat drunken driving charges. Peter Gentry, a financial planner, was caught after a police officer who made one of the drunken driving arrests spotted him running a stop sign after Gentry had supposedly died. Gentry was first arrested in 1991, but an official-looking death certificate sent to the police said he had died in a Los Angeles auto crash and the case was dismissed. In 1994, he was arrested again and sent in another death certificate. A year later, Gentry was again arrested and then supposedly died of "danzon hemorrhagic fever" in Africa. There is no such disease.

The U.S. Navy is deep-sinking its unpopular bell-bottom dungaree working trousers in favor of a spiffy new straight-legged dark-blue poly-cotton blend. The old pants, easy to roll up in the days when sailors scrubbed decks in their bare feet, have been worn for 60 years. They had grown unpopular because they faded quickly and smacked of an era gone by, a navy spokesman said. "Sailors wanted a uniform that stayed smart and fit better," Frank Thorp added.



QUEEN OF HATS — A flowered creation floating along during Ladies Day at Royal Ascot in England, where hats of flowers, fruit and feathers abounded.



(take in a rock show)

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